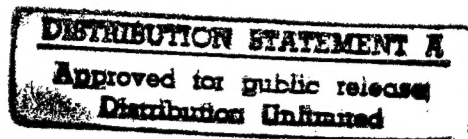


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BNB Official on Balance of Payments

92BA0073A Sofia TRUD in Bulgarian 16 Oct 91 p 3

[Article by Emil Khursev, deputy governor of the Bulgarian National Bank: "The USSR Owes Us Nearly \$1 Billion—How Will the Balance of Payments Be Restored?"]

[Text] After decades of trying to survive, in the fall of 1990, the transferable ruble died, and Bulgarian-Soviet trade became an orphan. Furthermore, the death of the "CEMA collective currency" threatened to eliminate all trade between Bulgaria and the Soviet Union because, as we know, settling commercial accounts demands foreign exchange, and neither Bulgarian nor Soviet importers have any surpluses of convertible currency. However, a solution existed, and it was found with the treaty signed by the two countries for the reciprocal settling of clearing accounts in dollars. Until the beginning of April 1991, reciprocal trade posed no problems for our country because the Bulgarian trade balance was showing passive growth (in other words, we imported more goods than we exported). However, after Bulgarian exports to the USSR increased, the accumulated passive balance melted away, and, by July, Bulgaria had already accumulated a substantial amount of credit. Yes, but that credit found the budget unprepared. The budget had simply not planned for the funds needed to pay the exporters, and the amounts became quite significant, the more so because, at the beginning of the year and for the first six months of the year, the Bulgarian state was paying for exports to the Soviet Union on the basis of the central rate of exchange of the leva to the American dollar. The thus-accumulated positive balance in dollars, according to the clearing deal with the USSR, was given an artificially increased assessment of 200 million clearing dollars, multiplied by the central rate of exchange of the leva of, let us say 18 leva, thus totaling 3.6 billion leva (more or less as much as the entire loan to the budget granted by the Central Bank for 1991). The Bulgarian budget found itself in a trap: The government was unable to stop paying exporters because, if it did, that would have created yet another major source of stagnation of the economy; on the other hand, it could not continue to pay for the simple reason that the budget had no funds. This led to delays in payments, the budget owed money to the exporters who owed money to their own suppliers, and, in turn, those suppliers owed money to their suppliers, and so on. The budget had no funds to service the clearing deal because, according to the initial estimates, bilateral trade was to be balanced at least on a monthly basis.

Let us clarify the precise meaning of Bulgaria's "active balance" with the USSR. Briefly, it is like "the sick helping the sicker." Bulgaria offering credit to the Soviet Union! Goods were taken out of Bulgaria, the exporters were paid, but goods were not imported into the country (that is, fewer goods were imported). The difference between the amount of goods exported and those imported is net credit granted to the Soviet Union.

Please note that this credit is interest free because no interest is stipulated in the clearing treaty! If the average annual Bulgarian positive clearing balance with the USSR is, let us say, \$200 million, Bulgaria loses about \$12 million for such an "omission" on its part.

Here is another interesting figure: Today the credit extended by Bulgaria to the Soviet Union amounts to about \$300 million, or approximately as much as the entire notorious Loan on the Structural Reorganization of the Bulgarian Economy, which was agreed upon with the World Bank (from which, so far, we have obtained no more than half). Furthermore, let us not forget that the funds owed to us by the USSR, totaling some 720 million transferable rubles (at least \$620 million), which amount was to be scheduled for payment at the very start of the year, has still not been settled. This debt, actually, is also interest free!

The almost 2 billion leva the budget owed to the Bulgarian exporters for supplies to the Soviet Union, which had accumulated at the beginning of August but which had not been balanced with imports, created within the Bulgarian economy the threat of a real crisis of payments. This required the structuring of a new mechanism for determining the rate of exchange between the clearing dollar and the leva, which contemplates the possible balancing of the trade between Bulgaria and the USSR. However, for this mechanism, based on the market rate of the clearing dollar to the leva, to be activated, it was inevitable to accept the depreciation of the clearing dollar at the rate applied until that time. This was done by the government through an initial 45-percent discount. After that initial step, on the basis of a contract with the government, the BNB [Bulgarian National Bank] assumed the clearing obligations to the Bulgarian exporters and for the funds owed by the Soviet Union and has been providing daily quotes for the clearing dollar, set independently of that of the American dollar, exclusively on the basis of the correlation between supply and demand of clearing dollars.

The changed mechanism of payments based on clearing deals with the Soviet Union makes it possible to attain several important objectives. First, it helps to resolve the crisis in payments, which appeared because of the accumulated obligations of the budget toward exporters. These obligations were met and continue to be met on the basis of a credit granted by the BNB. Second, with the rate of the clearing dollar equaling that of the American dollar, many exporters preferred to sell on the Soviet market even goods for which they had other more solvent markets. The balanced market rate, to which the mechanism adopted at the beginning of August is aspiring, is helping things find their proper place by correcting the value scale of the exporters. Third, following the introduction of the market-oriented mechanism in determining the rate of exchange of the clearing dollar, Bulgaria's positive balance (that is, the interest-free and doubtfully term credit granted to the USSR) is still increasing, but much more slowly. This makes us hope that this major threat to the financial balance of the

country may soon be eliminated. Fourth, the high rate of the clearing dollar to the leva made it virtually impossible to import goods from the USSR to Bulgaria because, according to that rate, Soviet goods could not be sold on the Bulgarian market.

Let us sum up the obvious. Unless we restore the country's financial balance and, in particular, the balance of trade with the Soviet Union, the economy of the country is threatened by serious problems.

Opinions, Attitudes of Private Businessmen

92BA0056A Sofia DELOVI SVYAT in Bulgarian
30 Sep, 7, 14, 21 Oct 91

[First four installments of a continuing article detailing a survey conducted by a business sociology group from St. Kliment Okhridski University, headed by Candidate of Financial Sciences Tsvetan Davidkov: "Sociological Research on Private Business"—first two paragraphs are DELOVI SVYAT introduction]

[30 Sep p 4]

[Text] In the period 15 June-15 July 1991, the business sociology group at St. Kliment Okhridski University conducted an empirical sociological survey of private business in Bulgaria. The data collected covered three main areas:

- The conditions for the development of private business in our country.
- Private companies: types, scope of activities, personnel, and so forth.
- Types of Bulgarians who have gone into private business.

What led you to go into private business?

I can earn more in private business	92%
I wanted to prove myself, to realize my own ideas	88%
The cost of registering a company may increase after a while	52%
I wanted to prove to myself that I am as capable as others	75%
It will be difficult for society to improve without private business	82%
This is the proper time to acquire space in business	85%

As the answers show, the responses follow a consistent pattern. The following is worthwhile noting:

- There is a certain correlation between the reason "I can earn more in private business" and the view that "hard work does not lead to success; it is more important to have luck and connections." Most of those who go into private business for the sake of higher earnings clearly realize that this is easier to accomplish with a great deal of work than through luck and connections.
- The enterprising Bulgarian people who seek in private business the opportunity to prove themselves and to

The study covered 1,006 companies owned by private citizens. Of these, 699 were owned by a single person, 282 were collectively owned, and 23 were companies. Their number was proportional to that of registered companies owned by a single person, a group, or a company as of 1 March 1991. Territorially, these companies are located in 32 townships throughout the country. The study was representative of private companies in Bulgaria. The general sponsor of the survey was the Duga-700 Publishing-Advertising Company. Individual sponsors were: the Ministry of Finance, the Youth Scientific Research Institute, DELOVI SVYAT, the "Inter-Idea" Innovation Research Center, the Eureka Foundation, the Tempo-S High School Students Cooperative, the Sofia University Students Cooperative, and the SS. Cyril and Methodius International Foundation. DELOVI SVYAT was given the right to first publication.

The Bulgarian People Believe That Man Is Motivated by Profit

What leads the enterprising person to go into private business?

The most important reason is that more money can be made in the private sector (reason indicated by 69 percent of respondents). An equal number of people wanted to prove themselves and realize their own ideas. More than one-half of the respondents (57 percent) added that this was the right time for a person to acquire some space in business; 54 percent believed that it would be difficult to improve society without private business. The second "half" (under 50 percent) of the reasons quoted were the following: "I wanted to prove to myself that I am no worse than others" (40 percent) and "After a while, registering a company may become more expensive" (20 percent).

If we sum up the reasons Bulgarian people go into private business (including cases in which the reason was "important but not all that much"), the results are as follows:

- realize their own ideas would also like to prove that they are as capable as other people. As the significance of the first motivation declines, so does that of the second.
- There is a direct correlation between the view "you can never achieve a great deal unless you act daringly" and the reasoning that "registering a company does not create any obligations for me because, after a while, it may be more expensive to register one." It can be said that, for a Bulgarian to register a private company, it is to a certain extent an act of courage (regardless of the fact that, in the annals of management, there is the maxim that optimists are people who are short on experience).

- There is also a direct correlation between the view that "the state should show greater concern for ensuring everyone's livelihood" and the reason "I wanted to prove to myself that I am as capable as others." In the case of those who agree with this view, this reason is more important than it is to people who do not share it.
- To a very great extent, the reasons "it will be difficult for society to improve without private business" and "this is the proper time to acquire space in business" "function" simultaneously. The increased significance of the former leads to the increased significance of the latter.

[7 Oct p 5]

[Text] Private business is barely advancing: The laws and the state are pulling it back, friends are pulling it forward, and "public opinion" wonders, looking at it.

What do you think of the legal base that regulates private business?

There is virtually no legal base	21%
The current legal base hinders the development of private business	52%
The legal base is more or less adequate	13%
The legal base is very good; no other legal base is necessary	0.7%
Unable to answer	12.9%

This confirms the assumption that most private businessmen are dissatisfied with the legal base, as well as the hypothesis that a substantial share of them are almost totally unfamiliar with it.

There are frequent complaints that people look malevolently at the "private businessmen." What is the attitude of most people toward you, personally?

They look at me with malevolence; they envy me	33%
They are indifferent	25%
Their attitude is rather positive	30%
Their attitude is completely positive	8%

People close to an enterprising Bulgarian—family and friends—provide the most reliable support of his initiatives. Seventy-two percent of the respondents claim that those closest to them support them fully; another 22 percent state that such people have a positive attitude, without helping them. Less than 6 percent claim that people close to them are indifferent or negative, or else hinder them. This result is expected, although not expressed so categorically. This expectation is based on the results of many other surveys, according to which the family is valued as one of the greatest institutions of the contemporary Bulgarian people.

How Do You Assess the Condition of Private Business in Bulgaria?

Almost two-thirds of respondents believe that private business is taking its initial steps and is "barely advancing." About one-sixth of them have a similar viewpoint, but in a negative sense. Whereas in the case of 14 percent of people in Bulgaria there is no point in talking about private business, another 17 percent believe that private business in our country is already a fact and has achieved certain successes. The share of the extreme optimists is insignificant: No more than 2.4 percent claim that private business is developing in a stable and confident manner, while 4.8 percent believe it is on its way to becoming dominant in the economy.

This general assessment of the condition of private business is presented more specifically in the assessments concerning the legal base, the attitude of the state authorities, public opinion, and circles close to private businessmen:

What is the attitude of the local authorities toward private businessmen? Over two-fifths of the respondents claim that they are indifferent: They neither hinder nor help. One-third are categorical: They obstruct! Only 3.7 percent of all respondents assess their attitude as being positive, including being truly helpful:

Therefore, if we accept the fact that the concept of "social conditions for the development of private business" is of some cognitive value, we can say the following:

- New legal conditions and a new attitude on the part of the state toward enterprising Bulgarians are needed in order to stimulate private initiative. —They [enterprising Bulgarians] rely on family and friends.
- Society has already taken the path leading from rejection to acceptance of the real significance of private business in the life of society.

[14 Oct p 5]

[Text] Business takes place with money. One could do business without money, as well, but is that business?

Under What Specific Conditions Do Private Companies in Bulgaria Start Their Activities?

The respondents were asked the following question: "When you started your business, did you have...?" The enumeration followed: starting capital; machines and equipment; special tools; production and warehousing premises; stores; and personnel. The answers to the most important first question are shown in the table below:

When you started your business, did you have starting capital?

I did not need any	19%
I had enough	13%
I did, but not enough	34%
I had none	34%

In starting a new private business, no more than about one-eighth of enterprising Bulgarians have adequate amounts of starting capital. About one-third begin with insufficient capital or, in general, have no capital at all. The nature of the business in which 19 percent are engaged does not require starting capital.

How do businessmen solve this problem? We find a partial answer in the attitude of private businessmen toward loans: Three-quarters of the respondents say that they have taken out no loans; the others have borrowed money in different amounts:

- 5,000 leva or less—5.9 percent.
- Less than 10,000 leva—7.2 percent.
- Less than 50,000 leva—5.6 percent.
- Less than 100,000 leva—2.1 percent.
- Over 100,000 leva—3.5 percent.

Considering the size of the interest charged on loans and the insufficient experience of the fledgling Bulgarian businessmen in achieving a fast turnover, the result is logical. Let us remember that some of the new businessmen find ways of "internal" crediting: borrowing from friends, relatives, and other similar sources. Some such loans are interest free, while those with interest do not as a rule assume the risk they would should they borrow money from a bank.

The attitude toward credit as a necessary link in the reproduction process is indicative of the nature of private business, its scale and its possibilities, the intentions of initiative-minded Bulgarians (naturally, taking into consideration the economic conditions in the country and the specific rules governing loans), and so forth. As we know, most private companies have a very limited scope of activities (including those that are not active or whose activities are merely symbolic), mainly in services

and trade; 36 percent of the companies included in this survey are in the service industry; 20 percent are in trade; and 10 percent are in production. Some companies have claimed activities in more than one area: 8 percent are engaged in both production and trade; 4 percent are in production and services; and 15 percent are in trade and services. About 7 percent of all private companies have been active in all three areas. The summed up results of these figures are the following:

Companies Directly or Indirectly Related to Production, Trade, and Services

Production	29%
Trade	50%
Services	60%

As to the intentions of initiative-minded Bulgarians, on the basis of their attitude toward loans, I would like to quote from some of my conversation with a prospering Bulgarian businessman. He is literally loaded with broad plans and ideas, and, when I asked him whether he had set some limits on his intentions, he answered: "Yes, everything depends on the loans I can obtain."

[21 Oct pp 1-2]

[Text]

Without Money and Tools (Machines) One Cannot Do Business

The specific conditions for the development of private business in our country depend on the availability (or lack) of machines and equipment, special tools, production and warehousing premises, and stores. In starting a business, in general, the situation looks as follows:

	Machines and Equipment	Special Tools	Production Premises	Warehousing Premises	Stores
Not necessary	38%	48%	34%	56%	65%
Used my own	41%	37%	32%	23%	11%
Rented	21%	14%	34%	21%	23%

The most favorable situation is one in which machines, equipment, and specialized tools are available. Two-fifths of those surveyed had their own machines and equipment, while one-fifth leased them. The figures characterize the structure of ownership in terms of this basic production factor (in the broad meaning of the term). For specialized tools, the correlation between the amount of those owned and those leased is even more favorable: 2.6:1.

The situation concerning production and warehousing premises and stores is significantly worse. In the case of production and warehousing premises, the correlation between owned and leased is about 1:1; in the case of stores, it is 1:2. The reason for this situation is that a high percentage of private companies use the homes of the owners as production and warehousing premises. Most of them, however, cannot serve as stores. The extent of satisfaction of private business with machines, equipment, and special tools and premises of different functions indicates a dissatisfaction of private businessmen with delays in privatization. This also explains the fact that, with increasing frequency and sharpness, the private businessmen define as their problem the lack of premises and not of machines, equipment, and special tools.

The registration of private companies in our country began in 1989, and the companies within the scope of this survey can be broken down in terms of the time they registered: 19 percent in 1989; 61 percent in 1990; and 20 percent in 1991. We cite such data in order to have a better guideline in the interpretation of the data on private-company equipment.

To what extent have private companies been satisfied with the availability of machines, equipment, special tools, and with production, warehousing, and store premises from the start of their activities to the time of the survey?

- There has been minimal change in the extent to which these individual factors were needed by specific businesses.
- The share of owners of machines and equipment has increased by about 10 percent, and the share of those leasing them decreased by 10 percent.
- In the case of special tools, the share of those owned increased by approximately 6 percent and the share of those leased declined by the same percentage.
- The absolute share and correlation between production premises and warehouses owned and leased have shown an insignificant change.
- There has been a slight increase in the need for stores

and of the share of store owners.

We classify manpower as one of the necessary conditions for starting a business.

The question of personnel should be treated separately for several reasons. The number of unemployed is continuing to grow. (According to official data, at the end of September 1991 it was about 330,000.) One of the solutions to unemployment is that of the new jobs that may be created by private companies. At the same time, there is an apparently paradoxical situation: Despite that unemployment figure, there is a shortage of people to work in some private companies. Potential candidates for employment exist, but do they meet the requirements of employers? Conversely, do the existing job vacancies meet the requirements of the unemployed? A relative of mine, who owns a private company, has a decently equipped carpentry workshop. I suggested to him that, with each passing day, he was losing by not making sufficient use of machines, for which reason he should hire some workers. He answered: "Try to find a good skilled carpenter or an unskilled worker." In his view, this is simply impossible.

In the context of the economic changes that are taking place or are expected, we shall probably witness the following changes:

- The share of private citizens who are owners of means of production will increase with the development of privatization. In the more distant future, depending upon the specific economic situation, this process will develop complexly: We shall be witnessing both the dispersal of the ownership of means of production and its concentration and restructuring.
- The process of accelerated differentiation (in terms of volume, purpose, value, and so forth) of ownership of the means of production will continue. This process will develop in accordance with the currently existing ownership structure, the legal stipulations, and the actual way of privatization, restitution, restoration of the land, development of basic economic processes, and so forth.
- The number of individual shareholders will increase. Mixed forms of ownership will develop faster. There will be an increase in the forms of ownership with indirect handling of property.
- The amount of leased means of production will increase. The higher dynamics of the creation, restructuring, and termination of production units will necessarily dynamize this area as well.

(To be continued)

Czech Writer Urges Support for Ruthenia*92CH0098B Prague LIDOVE NOVINY in Czech
25 Oct 91 p 8*

[Article by Jaromir Horec: "Sub-Carpathian Ruthenia Wants To Join Europe"]

[Text] While some politicians would not hesitate to shatter the Czechoslovak state without regard to the views and feelings of society, without regard to the Constitution or legal relationships, our onetime citizens in sub-Carpathian Ruthenia are sending messages into the republic urging us, for God's sake, to be sensible and not to permit the disintegration of the common state. They have thus far themselves not gained recognition for their national Ruthenian identity and have been part of the Soviet empire, against their will, since 1945. Moreover, a plebiscite regarding the independence of the Ukraine is being prepared for 1 December, through which the opportunity to decide its own fate is to be "forever" closed off for sub-Carpathian Ruthenians.

At the recent Moscow conference on human rights, the whole world heard the report on how these rights are being violated, how the Ukrainian authorities are failing to recognize the Ruthenian nationality and how all of their activities here are leading to national genocide.

Before the War and After the War

We returned some days ago from sub-Carpathian Ruthenia and are testifying as to how this country lives today. Following the fall of the Moscow coup leaders, the truth about the past can finally be said aloud here. In 1918 and 1919, American Ruthenians as well as the population of the homeland decided to live in the Czechoslovak Republic. Their position found understanding with U.S. President Woodrow Wilson; it was recognized by T.G. Masaryk and the peace treaties following the end of World War I confirmed this union. Also, the Trianon Treaty dealing, among others, with Slovakia, decided that sub-Carpathian Ruthenia would be developing within our republic. It is generally known that the end of Czech independence on 15 March 1939 also signaled the end of Ruthenian independence. In 1945 and 1946, the Horthy occupation was relieved by the Soviet occupation. With the absolute passivity of the Kosice emigre government, which included neither representatives of the domestic resistance nor any legitimate spokesman for sub-Carpathian Ruthenia, Stalin captured this country and declared that it was "reuniting with the Ukrainian homeland." Stalin's and Khrushchev's knowledge of history was considerably flawed, because territory of sub-Carpathian Ruthenia was never part of the Ukraine throughout history. Even the temporary National Assembly in Prague, which was appointed in accordance with the key of the National Front and was not elected by anyone, conducted itself in conflict with its authorities and violated the valid Constitution by approving a change in the borders and approving the theft of the eastern portion of the republic (including a

part of Slovakia). It negotiated regarding sub-Carpathian Ruthenia without it, without its true representatives.

Thus far, very little is known about what went on after 1945 east of the Slovak border: arrests of priests, teachers, intellectuals, members of former political parties, students, extraordinary so-called people's courts, deportations of approximately 25,000 citizens to Siberia, the liquidation of all civic democratic organizations.

Invalid Treaties

None of the so-called treaties, which came into being under the threat of violence and pressure (for example, the "treaties" with the Baltic nations), can be recognized. In the discussion regarding the existence of the Czechoslovak Republic from 1918 to the present, it is stressed that the recognition of this existence annuls all actions taken after Munich. However, this holds true not only for the Czech lands (the severance of the border territories and the establishment of the protectorate), for Slovakia (the Vienna Arbitration Agreement on transferring southern Slovakia to Hungary), but also for sub-Carpathian Ruthenia (the occupation of the southern regions by the Horthy army in the fall of 1938, the occupation of March 1939, and the Soviet occupation toward the end of the war). International law is indivisible and it is necessary to apply it to all of Czechoslovakia. This is also in harmony with the Helsinki Accord on European Security, which challenges all signatories to solve all problems by agreement and in collaboration.

What the Ruthenians Want

Our report on the sub-Carpathian Ruthenia of today cannot evade the answer to a basic question: What do the sub-Carpathian Ruthenians want? What do the citizens strive for? They continue to live in the so-called Zakarpatskaya Oblast of the Ukrainian Republic and are justified in seeing that this coexistence ends without any further prospects. In September, there were several meetings (for example, in Uzhorod and in Mukachevo) at which the demand for an independent sub-Carpathian republic was voiced, a republic which would exist outside of the framework of the Ukraine. This is the fundamental postulate. A decision should be made by a referendum with international participation, with participation by representatives of the Council of Europe, with which the Society of Carpathian Ruthenians has already initiated contacts. These positions have already crossed over the borders. The secretary-general of the United Nations has been informed of them, as have the Council of Europe in Strasbourg, Presidents Gorbachev and Yeltsin, as well as the Ukrainian parliament.

The Hungarian Interest

It is not possible to overlook the activities of the Hungarian Government which is caring for its minority. In sub-Carpathia, there is a Hungarian Consulate, the borders are being opened, and Hungarians are economically very committed here. If we observe the considerable lack of interest on the part of Czechoslovak (but also Slovak)

foreign policy, this comparison is flagrant. From the recent gathering at Uzhorod, the participants sent a letter of greeting to President Vaclav Havel and accompanied their heartfelt handshake with an invitation to come to Uzhorod in order to have President Havel unveil a monument of T.G. Masaryk once more. The followers of Horthy had gradually removed this statue, which was erected in 1928, following their occupation. In its place, a statue of the Hungarian poet Petöfi was mounted this year in the presence of Hungarian President Goencz and his Ukrainian colleague, Kravchuk. Only a historical paradox?

The Obligation To Help

Precisely 70 years ago—in September 1921—on the occasion of his visit in Uzhorod, President Masaryk proclaimed his “most sincere interest in the wellbeing of sub-Carpathian Ruthenia and its people.” Benes, minister of foreign affairs, later stated that we shall not permit anyone to threaten the freedom of this country, which we will defend, even with iron.... Twenty years of the existence of sub-Carpathian Ruthenia until 1939 is, to this day, not considered by those who lived through that period as “colonization and bourgeois exploitation,” as was until recently written by Soviet writers, but rather as a period of freedom and development of a country which, at that time, through the merits of the Czechoslovak Republic was entering Europe. They wish to again return to this Europe of civilization, freedom, and democracy. Can we refuse our assistance to them in this effort?

There are many hitherto unresolved problems which should make their appearance even in the preparations of a new treaty between Czechoslovakia and the Soviet Union. Apart from the basic question regarding the future constitutional fate of sub-Carpathian Ruthenia, not even the revision of the so-called treaty of affiliation of the country with the Soviet Union can be circumvented. It is invalid on a de jure basis and it should be declared to be even a de facto outdated residue of Stalin's outrage. It is also necessary to negotiate compensation and restitution for Czechoslovak citizens for property left behind at one time in the country; future negotiations should also be devoted to indemnifying victims of Soviet concentration camps and all those who were deported to the USSR after 1944.

Truly, it is not possible to remain silent in the face of all this. Why should we? We hope that the era of concessions because of imported petroleum or exported shoes is behind us. We have arrogated to ourselves the right to freedom; let us, therefore, wish for a free life even for our nearest neighbors. This is particularly so with regard to those citizens who never ceased professing their allegiance to a republic with which they, at one time, connected their fate. Is it not our duty to reach out a hand to them?

(The author is a poet and publicist; in the 1950's and 1960's he was editor in chief of several periodicals; he is a native of Chust in sub-Carpathian Ruthenia.)

First Republic's Treatment of Slovaks Defended

92CH0098A Prague LIDOVE NOVINY in Czech
24 Oct 91 p 3

[Article by Jiri Hanak: “A Funeral Feast To Commemorate the Republic”]

[Text] The Masaryk republic is coming to an end, says Slovak Prime Minister Carnogursky in an interview with LIDOVE NOVINY. He is correct. The old lady is departing at age 73 from active political service which—not through her fault—lasted a mere 20 years and is joining the majority. It is startling to see her departing as an unruly servant who did not even earn the thanks of those whom she benefited the most. Let us, therefore, be Christians and give thanks even for them.

When, years later, an independent historian, not fettered by time, will be adding up her positives and negatives, both columns will undoubtedly be well filled. However, one thing no one will be able to deny the Masaryk republic: That in the year of its establishment—in 1918—it recaptured the dying sub-Carpathian nation which had already passed the critical limitations on the rocky road toward political demise. Over a period of 20 years, a miracle took place. The remainder of a nation, which, according to estimates by specialists, lacked only about three or four years before it became totally Magyarized, was regenerated into a nation with all appropriate attributes. Let us be just: Without healthy roots and viable strength in the decimated Slovakia, the miracle would not have succeeded. However, let us be just with respect to the consequences: Without the Masaryk republic, the national regenerative forces would not have had a chance and the steamroller of Magyarization would not have been stopped by anything. In place of long speeches, let us look at two statistical facts. In 1920, of 40,000 teachers in Slovak grade schools, only 664 claimed that Slovak was their mother tongue. Of 500 professors, required to open Slovak middle schools, only 20 were available, and, using the language of the statistician, “their knowledge of the Slovak language was at the level of the knowledge of preschool children.” The Masaryk republic was definitely not an unruly servant who can be dismissed without a word of recognition.

However, today, something more than the Masaryk republic is coming to an end. These days, there are renewed decisions regarding Czechoslovakia as a common state for Czechs and Slovaks. We must admit this today, if we do not wish to elevate the miracle to a political category and to figure on it as a fact. Let us view things without emotion and without sentiment.

In the lives of nations, there are clearly and inevitably moments when the need for independence becomes an instinctive need, which is impenetrably armored against the effects of any kind of rational arguments. Even we in

Bohemia have suffered through this political scarlet fever. If you contend that there is a difference between the years 1870 and 1991, there is only one counterargument: Wherever political meanings tend to weaken, the belief in independence means everything.... For purposes of illustrating the ridiculous nature of nationalistic posturing, let us become aware that the last Czech crowned king was the feeble-minded Ferdinand. Today, this is meaningless and ridiculous. And, nevertheless, there are nations in the world today who would give, I don't know what, at least for a single king, even a king like that. In 100 years, they will also laugh at this position.

Partings, if they must occur—the miracle continues to play a role—are supposed to be dignified. For the present, we are unsuccessful in maintaining this divorce status in the appropriate form. Blame attaches to both sides. The Czech representation spoiled whatever it could. Through its awkwardness, through its acquiescence, through its willingness to make concessions all the way to the very limits of its own dignity. The Slovak side spiced things up first by naked extortion, followed by inscrutability and the use of Orwellian doublespeak. The result is an unending case of emaciation which is slowly beginning to bore the population. It is truly a special form of thanks from those for whom the republic cared so much.

Editorial Discussion Held on Future of Agriculture

92CH0099A Prague ZEMEDELSE NOVINY
in Czech 24 Oct 91 p 4

[Editorial discussion recorded by Tomislav Sokol and Jiri Krepelka: "T" Versus "T"; An Editorial Discussion on the Future of Agriculture in This Country"—first paragraph is ZEMEDELSE NOVINY introduction]

[Text] The kettle containing the soup called agrarian policy continues to be quite warm. Farmers do not know from which direction to taste it, even though they need it desperately. People in rural areas are vexed today and every day by the question as to where our agriculture should be heading and where it is heading. We posed this question on the occasion of an editorial discussion with representatives of some nongovernmental political parties, organizations, and groups, protecting the interests of the rural areas. Our invitation was accepted by Frantisek Trnka and Tomas Smetana, the chairman and economic secretary of the Agrarian Party, respectively; Frantisek Krejca, chairman of the Party of the Czechoslovak Countryside [Strana ceskeho venkova]; Miloslav Kejval and Josef Danek, chairman and member of the Presidium of the Czechoslovak Party of the Greens in Bohemia; Vlastimil Tlusty, the protagonist of the initiative group known as the "3T Group"; and Miroslav Prokupek, chairman of the Association of Landowners. On the other hand, representatives of the Free Farmers Party and of the Republican Party of the Czechoslovak Countryside did not attend.

[Krejca] Personally, I believe that agriculture should be ecological and social in nature. I see the future in the fact that it will be able to fulfill one of its fundamental functions, and that is to stabilize the structure of settlement. This is the direction in which it should be moving.

[Trnka] In my opinion, the basic question involves the way agriculture will look in five years, in 10 years, in 15 years. What is to be its standing in the national economy. The current situation impacts frontally on all who work in agriculture today and who will be working in agriculture tomorrow. Let us recall the problems entitled taxes, and credits. If we let agriculture decline today and allow foreign products in, virtually without restriction, don't hold it against me, but we shall not have an opportunity to attain a world level. The world does not stand still; it continues on. We are now declining and then we will want to catch up. This is a terribly difficult task.

[Tlusty] In my opinion, the crisis is caused by the dispute between the internal status of our agriculture and by the opening of competition and the liberalization of the entire economy. Our agriculture, which we have inherited after 40 years, is not immediately capable of competing. It was not being developed completely analogically and is not in a position of being capable of producing the same quality and inexpensive foodstuffs as are produced by West European agriculture. Where does the solution lie? One simplified notion states that it is necessary to halt the influx of foreign goods, to guarantee prices, to lower prices of inputs, etc. In a certain sense, this means returning to a command economy and to an isolated economy. A second solution prefers rapid adaptation, that is to say, the easing of the opportunities of farmers to protect themselves, that is to say, to adapt their structure to strong production pressures. And the entire problem is likely to be the need for everything to operate proportionally.

I believe that when all is said and done, the situation is reminiscent of a pendulum moving from one extreme to the other; a completely closed economy, a completely planned agriculture were replaced by a completely free market economy and now pressures are again being felt for this pendulum to return and see everything closed off again. The truth, of course, lies somewhere between the two extremes. It must be added that protection only be as strong as our state can afford. According to the possibilities inherent in the budget. That is why I prefer a rapid adaptation of agriculture. I believe that its structure is not good, that it must change radically and rapidly, and that, fundamentally, two things are required to bring this about. First, it should be possible, that is to say, the legislature should create the room for it; second, the broadest public should receive an explanation indicating that it is in its interest to struggle as rapidly as possible for its own future in agriculture.

Existing regulations already make the majority of things possible. For example, everyone is looking with tremendous hope to the transformation laws, to the transformation projects. At that, a large portion of property—and it

is now meaningless to argue whether it is 50 or 80 percent—in agriculture is covered by restitution claims. This means that it is already now possible to transform things by way of asserting restitution claims in a substantial portion of agricultural production taking place on the land.

Nevertheless, this is not happening. It is only rapid restitution which can identify property remaining in enterprises and being eligible for transformation—then it is necessary to transform it rapidly and it is only transformed enterprises that have an opportunity to prosper.

[Trnka] Whether to return property is not the essence. The fact that it should be is agreed upon very rapidly. But for me what is important is what happens next. How to make sure that the land would be productive, that people could make a living on it, and, in my judgment, no one is addressing this problem. Conditions have not been created, there is no consulting service nor an executive service which would help these people.

Definitely, anyone who has any responsibility for any kind of department is a manager in his way. He must know how many millions of tons of grain we will need in this country. After all, that is the basis from which he can proceed. Farmers should definitely be told: We are capable of purchasing this much from you and the minimum price will be—what do I know—3,000 korunas [Kcs], Kcs2,500, if Kcs2,500 is enough, or whether he will simply stay away from it. He must also know what the costs will be. This is not planning, after all, it is providing information to those who produce and that is being done everywhere throughout the world.

[Kejval] The land must be managed. And it should be managed in such a way as to produce something. None of the owners can be interested in land which results in a loss during the current period.

And, I would say, it is arguable that if something like half a million agricultural cooperatives and state farms cannot make a rational living, then it is a question mark whether the same amount of land could support three and a half million owners.

[Krejca] It cannot be said that people in the villages have no interest in their own property. They must know, above all, that it belongs to them. They are mostly interested in being able to work in prospering cooperatives. This tends to suit them. In my opinion, it is necessary to give people a chance for their work to have meaning and for them to have enough time without being pushed to the wall. I believe that the word radical in conjunction with agriculture is purely illogical.

[Prokupek] It is essential that 30 to 40 percent of the manpower, particularly the administrative-technical manpower, leave current agricultural enterprises. These people must privatize their efforts, they will be seeking other work. Why would, say, a widow of a farmer who used to own 60 hectares, and who lives in town with her

nonagricultural sons, not hire an experienced agronomist to administer their property, to guarantee that the economic year will progress? That, I believe, is the way.

[Tlustý] There is frequent misunderstanding, or someone attempts to persuade the public that there are only two possibilities: either to leave the property where it is in today's type of enterprises with all the principles which belong to it or to take the cows and create three million private farmers, as was the case in 1948. This is not even true at all. No one is making such claims. There are, after all, a lot of other opportunities, even those which will dominate—that is, the change in the ownership position of existing enterprises. And there need not be any actual breakup. To claim that few people want to farm privately, when we know that the situation was such that they could acquire bare plots of land and ruined buildings with no one wanting to give them the rest, is, I believe, demagoguery. Let us create conditions—and I am not striving for anything else—to give everyone access to his property, no matter what form it involves. Let it be possible for the actual owners in existing enterprises to decide whether the enterprise should become a capital corporation, a cooperative, whether there will be limited liability or unlimited liability, how voting will be accomplished, how profits will be shared.

[Trnka] Who will work the land if the owners are given the right of disposal and do not want to return to it? Clearly, sharecroppers. This is the obvious way. I have been saying for a long time now that the old cooperatives cannot exist in the old ways and cannot manage in this way. An artificial situation is being created which must be completely destroyed. But what do we intend to do with the people who work there? Personally, I would really strive to create new jobs for them. This need not be only the question of privatization, there are a lot of opportunities; we have permitted privatization to become just as much of an enchanted vision as we did socialization. Previously, it was being proclaimed that that which belongs to the state is higher and that this naturally presupposes automatic well-being. It did not come about. And today we are claiming that if we privatize there will be well-being. It will not. Because the private property must be handled by a person who has the motivation and skill, who sacrifices himself to that property. And I don't see too many such people. But let us return to the claim that it is necessary to create jobs. For example, we need to become involved in the processing industries. I agree. But that is in one industry. This is under the thumb of the minister of agriculture. So that I ask why there are massive profits based on the foodstuffs industry on the one side and, on the other side, the primary producers are impoverished?

[Danek] I have had the experience where a chairman who is attempting to private a cooperative is chased away by landowners as well as landless employees who work there. However, you frequently will not see any difference in the work performed by owners or landless peasants in a cooperative.

[Tlustý] This is the core of the problem. You say owner, but he was an owner on paper only who did not even have any rights based on that ownership for 40 years nor any obligations and he simply does not know that he is an owner. The willingness to accept risk is missing. I call this the syndrome of fear for one's future. That is why everyone is turning to some kind of magic state, as was the case thus far, and say to it: Reduce the risks, define the rules of the game, tell us what to do to avoid bankruptcy. And they press to have the protection of the state be strong. But conditions should stimulate people to come awake and to accept risks.

[Kejval] I do not agree that our agriculture is not competitive with the West. I have studied input prices and sales prices. If the state offers our farmers Kcs7,000 for a ton of grain, they will "kiss its hand," and this is such a minimum price at which grain is purchased in the West. As far as inputs are concerned, the situation is reversed. In other words, our farmers are producing foodstuffs far cheaper than farmers in the West and I even have the impression that we produce better quality insofar as the content of foreign substances is concerned.

[Smetana] I was interested in one expression—the pendulum which is moving from one side to the other. I asked myself what the cause of the situation was? And I must answer: It is caused by the absolutely absent agrarian policy. The Western countries are making indicative plans over the long term, they make prognoses pertaining to the development of agriculture and are actually quite good at guiding farmers toward the goals they intend. In my opinion, in this country, the question is whether agriculture as such will survive long enough to be able to feed this nation or not? The fact that there will be enough food is clear to me because the Western world is only waiting to deliver food.

[Tlustý] If we say that Czechoslovak agriculture produces quality products and cheap products and is even better than the competing agriculture in surrounding countries, then we can draw only one conclusion from this fact. No reform is necessary, agriculture is proceeding in the correct direction and then I, naturally, understand that you must have completely legalistic reservations with regard to everything. Because, after all, the reform in agriculture, much like in the remainder of the economy, is based on the fact that agriculture was not proceeding in the proper direction, that it is not producing high-quality and cheap foodstuffs, that it is not competitive. Any claim that today's cooperatives are the legitimate owners of all property can no longer prevail following approval of the Law on Land Ownership. Those who are on the land cannot say that everything which is here is ours—they simply cannot because they have the property of others in their holdings.

[Kejval] At this stage, I would only ask Mr. Tlustý the following question: When did these landowners acquire that land?

[Tlustý] This is a process which started in the 10th century, has survived various reforms, and I believe that the overwhelming majority of landowners acquired their land through work and purchase.

[Krejca] You are quite logically referring to the existence of three fundamental principles. Work, land, capital. However, at that, you belong to the group which primarily accepts property. You said that people entered cooperatives without contributing any property, but they worked for it in the cooperative.

[Kejval] In order to make utilization of land more efficient, even the [Austro-Hungarian] empire reached the conclusion that it must give land to the person who works on it. Of course, we can state that the process of forming cooperatives proceeded in an undemocratic manner. But we can simply not negate those 40 years and return to the period prior to them. We would thus reach a status which would be far beyond the status in West Europe. Even there, the land is not worked by all owners who worked it in the 1950's. Transformation must actually be undertaken by those who work the land; we cannot deny people the opportunity to work. Land which is not worked grows only weeds.

[Tlustý] The principle that land should belong to those who work it was thought up by Klement Gottwald and it is a principle which is unrealizable in any other way except the way in which it has been realized thus far, that is to say, by nobody actually owning anything. If we return everything we stole to its rightful owners, then we will have solved a portion of the property problem. And it only makes sense to discuss whether the remainder of the property came into being as the result of the functioning of land, capital, and labor. I belong to the circle of those who say: Let us not investigate the influence of capital, land, and labor. Let us not investigate this because we do not do so elsewhere. In other words, we do not know how to evaluate it. If someone thinks that an evaluation will be accomplished by a meeting at which some landowners and landless peasants are present by voting, then this is, after all, theoretically impossible. This voting only involves the votes of those in the majority.

[Krejca] There is much more involved here than the fact that milk, potatoes, and grain are produced in rural areas. Agriculture keeps people in the countryside; it must live; in a whole lot of regions, this presents people with the sole opportunity to make a living.

[Smetana] Irrespective of the fact that the cooperatives have been characterized by many as being of little effect, certain cooperative principles were actually adhered to even in the past period. That is to say, for example, a certain portion of the created property was devoted to expanded reproduction and the situation was not the same as that in enterprises of the state sector, where these resources were siphoned off. We should aim at having the opportunity of having our own prospering agriculture and not at being dependent upon imports.

[Danek] In the villages, agriculture will create the basis for ecological benefits. I am for having everyone prosper on the land, but let us preserve the opportunity to enjoy this prosperity.

[Prokupek] For us as owners, working participation is totally unacceptable. After 20 years of working in an agricultural cooperative, if a man worked there with his wife, he is supposed to have the same property as the person who contributed 20 hectares to the cooperative, including inventory. If the cooperative goes bankrupt, the first individual loses his work contribution—in other words, he loses nothing, but the latter person loses hectares and property. And how does an employee of the state farm fare in this regard who did the same amount of work there and has a claim on nothing?

[Krejca] In my opinion, people on state farms should also be given the opportunity, on the basis of their work contribution, to share in the property. I say again that the problems of agriculture are totally different from those in other branches. Owners are constantly referring to some kind of virtually holy bond with the land and yet they do not go there; they remain in town and they simply wish to be able to dispose of their property. We live in a democratic state and there it is true that the vote of a toilet attendant has the same weight as the vote of the president. The voting in the cooperative should be based on the same principle. Sharing the profit is something else.

[Danek] I have the impression that we have the same here again as that which existed under the previous regime. That the urban areas are trying to decide what will be taking place in the rural areas. We have not yet achieved such a democracy which would permit rural areas to decide their own future.

[Kejval] If we want to create a functioning agriculture, we must simultaneously create a functioning rural area. Only in this manner can we achieve an across-the-board healthy environment and that is why I very much favor the rural communities receiving that which is connected with agriculture. They need not only legal, but actual financial independence.

[Krejca] I personally believe that we must absolutely create conditions for the ensuing period which will not be in full agreement with liberalism, but which will gradually make it possible for agricultural enterprises to make a transition to tougher conditions. Just consider

what demanding transitions face agricultural enterprises and we are creating for them essentially immeasurably worse conditions than exist in all countries with a developed market economy in the West.

[Tlustý] We have heard views as to whether there should be an agricultural reform, and, to the extent to which the answer is yes, how it should look, and these views are in quite steep conflict, but there is one common thread and that is very positive—no one here has said that something cannot be, that there cannot be farms, that there must not be cooperatives, that there must not be estates. The market should decide which of these forms is the correct one. All must be given the opportunity to prosper, but I stress that part of this is also the opportunity to go bankrupt. In this regard, there must be complete freedom, and this also includes an opportunity for landless peasants. I have no land myself and I hope that under these conditions we will all have the opportunity to prove that we know how to be entrepreneurs and that free competition will quite naturally result in precipitating out those people engaged in entrepreneurial activities on the land which will become its owners quite automatically.

[Box, p 4]

The Agrarian Party was established on 12 January 1990 as a political party with the greatest influence in rural areas. It now has 10,000 to 12,000 members.

The Party of the Czech Countryside came into being in January 1990. Currently, it has a membership of around 1,000 members.

The Party of the Greens in Bohemia had its constitutional convention in February 1990. The membership base is approximately 4,000 individuals.

The Association of Landowners was registered on 20 December 1990. It encompasses 10,000 landowners in Bohemia.

The 3T Initiative Group derives its name from its protagonists—V. Tlustý (private entrepreneur), M. Tyl (a delegate to the Federal Assembly), and F. Tomásek (the adviser to the minister of agriculture). In parliament, the 3T Initiative Group presented and defended its own version of the law on land ownership; currently, it has worked out its own version of the law on the transformation of cooperatives.

Views of Two Factions Within MDF Elucidated**Christian Democratic Wing**

92CH0116A Budapest MAGYAR HIRLAP
in Hungarian 19 Oct 91 p 5

[Interview with Laszlo Salamon of the Hungarian Democratic Forum's Christian democratic wing by Janos L. Laszlo; place and date not given: "We Recognize Each Other's Values"—first two paragraphs are MAGYAR HIRLAP introduction; first paragraph applies to both related articles]

[Text] Undoubtedly, the MDF's [Hungarian Democratic Forum's] populist-national wing had been in the center of interest thus far. Little could be heard about the national, or conservative, liberals and about the Christian democratic trend. The Liberal Forum Foundation has emerged in public last week at Miskolc, while Christian democrats shun publicity in their political discourse. We asked Istvan Elek and Laszlo Salamon, the definitive personality among Christian democrats, to characterize the situation of the ideals represented by them within the MDF.

The populist-national and the national liberal trends are far more vocal within the MDF than the Christian democratic wing. We asked Laszlo Salamon, a member of the MDF faction leadership and one of the well-known representatives of the Christian democratic wing, to discuss the Christian democratic wing's political profession of faith and its role within the party.

[Salamon] The Christian democratic trend is actually present in a rather pronounced fashion in MDF politics. True, it does not appear in the organizational framework, but the situation is the same with respect to other ideological trends, and they do not regard a potential organizational division on this basis as either fortunate or justified. The Christian democratic group that functions within the MDF is not an organizational unit. It serves the purpose of manifesting an ideological trend and provides a framework for organizing various functions. The values contained in the three major ideological trends of our party—the populist-national, the national liberal, and the Christian democratic—are reflected in our membership and in most of our politicians, although in varying degrees. The fact that a membership that follows one or another trend also espouses elements of the other trends is a cohesive force within the MDF. And one may entirely rule out the possibility that followers of one or another trend deny the values of another trend. Incidentally, the MDF has been accepted as a member of the International Association of Christian Democratic Parties.

[Laszlo] Why did not MDF members of a Christian democratic persuasion choose the KDNP [Christian Democratic People's Party] as their party?

[Salamon] As a party, the KDNP espouses an outlook on the world that is based entirely on the Christian philosophy of the state and of society. In contrast, the MDF is a program party. Most of our constituents believe in God. Some of our supporters are not necessarily committed to a religion, they do not accept Christian values exclusively on the basis of an outlook on the world. Followers of the Christian democratic trend accept and integrate the elements of both the populist-national and the national liberal philosophy, and this mutual respect and support also manifests itself on part of those who advocate the other two trends.

[Laszlo] Some people are concerned that the ruling parties might simply exchange the earlier hegemonic ideology for another one.

[Salamon] The past 40 years drove this country to a low point not only in an economic and political sense, but also from a moral standpoint. This, perhaps, is one of our gravest problems. The Christian ideal is going to play a very significant—although not exclusive—role in moral renewal and in the evolution of a normal system of values. I would find it to be a great mistake if someone questioned the validity of the role to be played by other values, or if someone wanted to force Christian values on society. An opportunity equal to that enjoyed by other philosophies should be given to the teaching of religious ethics. Considering our infrastructural disadvantages it is apparent that we have not yet reached that point. Accordingly, claims to the effect that there exists a preponderance of religious ethical philosophy is not at all true. The manifestation of these values in various aspects of society still falls short of the ratio of the faithful among the country's citizens. Political support is needed up to the point that we reach a stage in which we have an equal opportunity. The extent to which the ideological system prevails in the framework of equal opportunity will depend on the free will of individuals and of society.

Liberal Wing

92CH0116B Budapest MAGYAR HIRLAP
in Hungarian 19 Oct 91 p 5

[Interview with Istvan Elek of the Hungarian Democratic Forum's liberal wing by Gabor Rejto; place and date not given: "They Don't Know, but They Do It Anyway?"]

[Text] The Liberal Forum Foundation held its first conference last week in Miskolc. We asked Istvan Elek, one of the founders of the foundation, about the goals and opportunities available to the foundation.

[Rejto] Why did you choose the foundation as the framework of your operation?

[Elek] We did not want to have a group or a faction, but a more open form of operation.

[Rejto] What makes a foundation more open?

[Elek] We want to support various associations, clubs, and conferences that profess our ideal as their own. The founding members of the foundation—later to become board members—indicate the philosophy we represent.

[Rejto] Would you then say that you regard the Liberal Forum Foundation as more characteristic of the MDF [Hungarian Democratic Forum] than the other two trends within the MDF?

[Elek] We regard it as different. You may be correct in saying that the ideal we represent is more unequivocal and more clear-cut. We think in terms of more accurately defined political concepts.

[Rejto] What did you expect to happen as a result of the conference?

[Elek] We expected the conference to clarify the kinds of acceptable Hungarian liberal traditions we have. We wanted the conference to show just how sensitive our liberal outlook was, the outlook we use as a basis for assessing political developments. We must also examine under what conditions we are able to represent liberal values. One often finds the workings of nonliberal interests behind the voicing of liberal principles. Liberalism also functions as a language that veils many kinds of intents.

[Rejto] A majority of the MDF is much rather inclined to observe the developments with a populist-national sensitivity.

[Elek] They have been trying for long to define their political outlook within the MDF; the Hungarian Forum plays the lead role in this regard. They use terminology that strongly affects the membership. We, on the other hand, are silent; we did not agree to engage in confrontation even at the level of clarifying concepts. This has been stated at the conference in the form of self-criticism.

[Rejto] What event prompted the confrontation at this time?

[Elek] The confrontation is much more a result of the work we had agreed to undertake. It is a recognition of the consequence of our silence, the fact that it was possible to expropriate the liberal ideal.

[Rejto] What is the fundamental difference between the populist-national and the national liberal trends?

[Elek] We are aware of the fact that the program that wins elections is the program of liberal democracy, in association with national conservative values, of course. On the other hand, a significant part of the membership is not aware of this, and does not believe that things are that way. Moreover, it believes that the opposite is true. It believes that the liberals are the enemies who ought to be fought.

[Rejto] Accordingly, are you saying that the populist-nationals are also liberals, except that they are unaware of what they are?

[Elek] The short term meaning of our undertaking is that we want our friends to think over what they are talking about. Let them try to clarify concepts. And let them admit that we are correct, they must regard themselves as liberals as long as they believe that they represent the MDF's original program.

[Rejto] And what if this matter does not become part of their consciousness?

[Elek] This would carry the threat of their becoming the easy prey of demagoguery, which has a significant number of representatives within the extremist forces. These forces make the people believe that we are unable to resolve our problems on the foundations of a liberal democracy. We have not yet reached this point, for the time being we hear expressions of passion as a result of the inability to act.

[Rejto] Suppose that as a result of this enlightening process the message becomes indeed part of consciousness, could this also mean an approach to the Alliance of Free Democrats?

[Elek] Definitely, insofar as they mutually believe of each other that each group is pursuing political discourse on the basis of a liberal democracy. Even though as of today different things are perceived about the character of this foundation.

Angry Essay; Worries About EC Membership

Budapest SZABADSAG in Hungarian 11 Oct 91 p 1

[Editorial by Imre Gyore of the Hungarian Socialist Workers Party: "Am I in My Right Mind?"]

[Text] If you please, I am not in my right mind. Because if I were, then I would know that I am, that is, I would not be asking myself whether I am. But looking at it from a different point of view, if I were not in my right mind, then I would not even notice the fact that I was not, but would believe that I was. But if I were in my right mind, then I would not be asking whether I was in my right mind but whether THEY were. Who? Well, THEY, of course. Which means naturally that this they is us, because they constantly refer to the fact that it was us who voted them in, so it is only natural that it is either them who eat and we starve, and as things are progressing, it is either them who go to the bathroom or us who need to change our underwear.

This is the normal way of labor-sharing in such gluttonous democracies like ours. This is why I, a Hungarian citizen who for the last year has been barely subsisting under the poverty line, am asking whether I am in my right mind. Because there are some who pretend that I am not.

There are many examples of this, what's more, in such great numbers that I don't even take note of them any longer, since it is not worth the bother for the short little period of time while this living under the poverty line is going to last. But just to cite a few examples from memory. For example. THEY say, after returning from one or another trip to foreign lands, that it is anticipated that we are going to become full members of the European Economic Community by 1995-96. This is what can be expected. I already started to expect it; I thought, well, I can weather those four to five years even under the poverty line.

But here is the catch: Even before that, they are going to inspect meat and animal stock to check whether they had been raised with hormones.

But that is not enough, even though this past week has wearied me already, but now the French foreign minister says that we are going to need at least 10 years for membership, and if I interpret his words correctly, he said "at least," and not "at most."

Well, this is going to be difficult. My hand is tingling, my legs are trembling; I am starting to hallucinate, because I don't know whether the four to five years or the 10 years are correct any more, and if it is 10 years (since as it turns out even the developed Scandinavian countries are going to need years to join), then why is our dearly beloved prime minister, or our foreign minister, or the other ministers saying that it's only four to five years?

Not to mention that people in the know in the West are cautioning us that joining the EEC is going to require sacrifices, what's more, serious sacrifices; we'd better think about that, too. So I, as a loyal patriot, start to think and realize immediately that joining will mean the bankruptcy of Hungarian agriculture, not to mention industry and other spheres of the economy, and a constant level of unemployment at the half million mark or above, so am I in my right mind to wait 10 years for the moment to join, speedily going bankrupt all the while, having the banks threaten us meanwhile that we are not going to get anything if we don't do such and such? Well, you know, a horrible thought has already occurred to me: That it is not us who want to enter the EC, but they want to enter us, because it makes sense from their point of view, but not from ours. On top of all this, they just announced on the radio this morning the news that from the promised 30 or 35 billion dollars the three of us (the Czechs, the Poles, and the Hungarians) at most are going to get one-tenth of that amount in the form of aid or loan, and of course, we have to pay the loan back, so please, is it surprising if I ask: Am I in my right mind?

Oh, it would be smarter to ask: Are all of you thinking out there? And if so, what are you thinking? Not, by chance: Am I in my right mind?

Import Liberalization To Slow in 1992

92CH0134A Budapest FIGYELO in Hungarian
24 Oct 91 p 29

[Article by Mrs. Laszlo Koczka: "Libero 1992: Go On, Go On...?"]

[Text] The liberalization process in foreign trade had begun quite a few years ago, but Government Decree No. 112 of 23 December 1990 concerning the export and import of goods, services, and rights representing pecuniary value in effect since 1 January 1991 represented the decisive step. This decree rendered the pursuit of foreign trade a virtual individual right. More than 60 percent of all goods may be exported and almost 90 percent may imported without permits. Simultaneously with this decree another government decree providing antidumping rules and other measures to protect the domestic market had been promulgated, and with that, the Hungarian legal system adopted the practice followed by the most liberal market economies.

Building a market economy and establishing its legal institutional conditions is time consuming, the process has accelerated only in the last few years. Producers recognized in 1989 that they had easy access to some imported parts and materials and that shortage situations had relaxed. As a result of a change that occurred overnight, one could easily import machinery for investment purposes, a matter that had been restricted for almost 10 years. Commercial supplies, technical items in particular, have suddenly increased. Only a few people counted on the fact that this situation would some day present competition to domestic producers.

Narrowing Markets

The fact that the pace of liberalization in 1991 would have to progress under very different external economic and changed political circumstances—primarily because of changes in the financial (settlement) processes of trade transactions payable in rubles and because of the highly significant political rearrangement that took place in the entire East European region—had been apparent when the 1991 liberalization measures were drafted. This not only meant that a large part of imports originating from the CEMA region would become liberalized, but also the fact that both the external and the domestic markets would shrink.

The fact that while in 1990 only one-third of Hungary's domestic production had been confronted with competing imported goods, as compared to more than 70 percent in 1991, suggests a qualitative change.

For the above reasons, determining a pace for liberalization that would respond to the dual requirement in the Hungarian economy of accelerating the evolution of a market environment but at the same time also avoiding a situation in which domestic producers found themselves in impossible situations had become the subject of

debate. In the end, although our international commitments for 1991 would have permitted a more moderate pace of liberalization, a governmental decision had been made to liberalize trade at an extremely rapid pace.

In 1989 and 1990 we attributed the substantial improvement of our trade balance to liberalization, despite the fact that in 1990, 80 percent of the imported goods had entered the country without a permit. Contrary to the previous years' experience, thus far in 1991 imports payable in convertible currencies have greatly (78.8 percent) increased, despite strict fiscal and monetary policies. And although exports payable in convertible currencies have also expanded by 19.5 percent, or \$1.1 billion, Hungary has witnessed the evolution of a significant trade deficit.

We expected to see an improvement in the competitiveness of Hungarian producers and the beginnings of structural transformation as a result of import liberalization. The signs of such changes are well visible in several fields. Thus, for example, while machine industry imports have increased, the import increment composed strictly of parts and investment goods did not deteriorate the balance subject to settlement in convertible currencies because exports also showed a dynamic increase.

Danger Points

The previous years' record has already shown that the "threat of a runaway situation" was greatest in regard to consumer goods. Despite the fact that this continues to be the only product category to which import restrictions and quotas still apply to an extent of 40 percent, the 1991 import increment thus far amounts to about \$500 million. This phenomenon has been accompanied in several fields by a 50-percent reduction in orders placed by the commercial sector with domestic industry.

The price-reducing effect of the relatively lower cost of imported goods can already be felt with respect to consumer goods in the communication and machine industry categories, in other areas, however, and mainly in regard to light industry products, imports raised the prices of domestic products.

In response to increasing difficulties to sell, individual sub-branches experience difficult situations and initiate with increasing frequency certain measures to protect the market, such as increased customs duties. Increased customs duties have already been imposed in a few instances (color television, lysine). In addition, proceedings against interference with the market have been instituted in several fields at the initiative of enterprise and professional associations (e.g., in the iron foundry and cement industries). But other industry branches (e.g., the chemical and light industries) have also made initiatives to more forcefully protect domestic production.

This question arises: Is the demand for the increased protection of domestic industry truly a result of excessive import liberalization?

Based on research done thus far it appears that reduced domestic consumption and unused capacities play a greater role in this regard than imports, which increased as a result of changing over from settling trade transactions in dollars rather than rubles. This is so because the volume of imports did not increase either as a whole or in a majority of the affected branches; instead, energy and materials imports have declined consistent with the decline in production. The ratio of imports in the framework of utilization reflects the price increment caused by the "changeover" at most.

It is interesting to note that users and dealers do not give preference to domestic procurement even if goods produced in Hungary are of lower cost. The opposite is characteristic in traditional market economies: A greater confidence is manifested toward domestic goods.

The exchange rate policies of the past year or two also render the situation of domestic producers more difficult. At the beginning of import liberalization experts had already stressed that the opening to the West would have to be accompanied by a forceful devaluation policy. The opposite has happened: The forint had gained strength since 1988, as shown in the following table.

Annual Average Devaluation of the Forint

Year	Average Rate of Devaluation (percent)	Domestic Price Increase as Compared to the Previous Year's Prices (percent)
1989	8.6	13.4
1990	16.1	24.0
1991	15.5	37.3

Even if foreign exchange price increases and other factors (e.g., the composition of foreign exchange, changes in the money market, and so forth) would have moderated the differences, the competitive position of domestic production has deteriorated as compared to the position it enjoyed at the beginning of liberalization.

Based on the past year's record and because of changes in external conditions, and not to the least due to the exchange rate policy, which reinforces the unfavorable effects of liberalization, we must be more circumspect in liberalizing trade in 1992.

The Latitude We Have

The second structural transformation loan agreement consummated with the World Bank obligates us to continue with the liberalization of imports. Thus, an additional 6 to 8 percent of domestic production would have to count on competition presented by imports in 1992.

Accordingly, our latitude is extremely limited. Conditions for competing with imports already exist in regard to 72 percent of industrial production. More than 15 percent of the remaining 28 percent represents the food industry. Items which cannot be liberalized in the long

term (materials which cause environmental damage, weapons, precious metals, etc.) amount to an additional 2 to 3 percent.

Due to the special situation of the food economy in which virtually every country pursues protectionist practices, which also distort world market prices, liberalization will become possible only at a later date, consistent with and conditioned by the outcome of commercial and diplomatic negotiations with the EC, the EFTA, and the GATT Uruguay Round of Negotiations.

The following served as guideposts in formulating liberalization proposals for 1992:

Consistent with practices and principles that have prevailed thus far, only those product categories could be liberalized in 1992 that already had liberalized pricing (or which could become liberalized—for example, coal), and which were not subsidized by the state. At present, the latter situation applies only to pharmaceuticals, but not even that subsidy constitutes a classic case of consumer price supplement.

Unlike in previous years, in preparing the 1992 schedule of liberalization, a greater emphasis has been laid on the protection of domestic industry. This kind of action has been sought by initiatives related to market interference whose number has increased recently, and this is the kind of action warranted by a dynamic increase in imports within certain product categories.

Another consideration to be kept in mind in the on-going negotiations for association with the EC and EFTA is for us to be in a position to offer an appropriate exchange for the concessions we receive from our partners primarily in the framework of product categories our partners wish to introduce to the Hungarian market and with which they want to expand their exports.

But in order to moderate the unfavorable effects of liberalization, and in due regard to the consequences of the excessive opening of our market, a more streamlined conduct on part of the government is also needed in order to protect domestic production. This conduct could manifest itself in three ways:

- An exchange rate policy that is better streamlined with liberalization. The possibility of pursuing such policy is much better in 1992 than it has been this year, because there is a realistic chance for a decline in the inflation rate in 1992.
- More help must be provided to interested persons in making practical use of the legal means that are available to protect the market. For example, Hungarian producers have a just demand when they seek access to data available primarily to the authorities, but which is needed to prove instances of interference with the marketplace. Such information should be made available unless they involve business secrets. In addition to providing such help, cooperation with the

Hungarian Economic Chamber must also be established to facilitate the practical application of legal provision.

- Last, but not least: The qualitative health and environmental rules must be enforced with respect to imports at least as thoroughly as they are enforced when domestic producers and dealers are involved. Hungarian practice is rather lax in consistently enforcing these rules, and very many other approaches could be used to achieve at least a competition-neutral environment.

Privatization Context of Franchises Discussed

92CH0134B Budapest FIGYELO in Hungarian
24 Oct 91 p 31

[Article by Andrea Gallai: "Where Is the Proven Business Method? Franchise and Privatization"]

[Text] Once again we have a concept that is becoming fashionable in Hungary, a concept to which business confidence is so closely attached elsewhere, and which has a good chance of becoming discredited in Hungary faster than it becomes accepted as an institution. Its name is franchise.

The Hungarian Franchise Association has chosen an exciting title for a meeting it organized recently: the Role of Franchise in Privatization. The lessons learned at the conference could be summarized in a single sentence: Large enterprise headquarters could easily salvage their respective powers under the disguise of franchising. We are dealing here with basic commercial and service firms that have networks of stores and enjoy advantages amid the present confused store leasing conditions by being able to control the operators of their stores, and by acquiring risk-free profits from franchise fees and from commissions that are continuously paid after sales. The fact that firms that manufacture their own products also acquire a guaranteed market for themselves is only the icing on the cake.

As Equal Partners

But let us see what a reorganized Construction Machinery Inc. headquarters would be able to offer to its present store managers who had been promoted so as to become franchise entrepreneurs? What business strategy, marketing system, product, or service has proven that company's viability to an extent that at this point it becomes worthwhile to transfer the accumulated business experience under contract to a franchise organization? In looking into the matter we find a franchise proposal developed by the Hungarian office of the Canadian Zarex firm, which has acquired truly great experience in franchising. Accordingly, what we have here is a plan, a concept that may be ingenious but that is far from having proven anything, despite the fact that this plan serves as the basis for the propagation of all kinds of businesses. Even Zarex Chief Dr. Janos Sajo admits that this is true.

All this should not be understood to mean that a typical Hungarian state enterprise could not be profitably operated after appropriate reorganization. But on what basis are we talking about a franchise?

Typically, this method of corporate growth takes place on an entrepreneurial basis; moreover, in general, it is best suited for use by small entrepreneurs. A franchise is established by an entrepreneur who does not want to own a dozen identical, or at least very similar, stores, but instead builds his network by taking advantage of the personal interest of, and the creative and stimulating force of a sense of ownership in other entrepreneurs whom he involves in the business. A franchise is a community of interest in which members have a mutual interest in cooperating as equal partners.

AVU [State Property Agency] director Dr. Peter Rajcsanyi's statement at the conference, according to which franchising is the most classical method of privatization, is worth pondering. He added that it would take four to five years for some 2,000 enterprises to be privatized and to change ownership.

To Protect Against Salvaging

This time period certainly includes a few years required for the preparation of a good business or a viable entrepreneurial venture, and thereafter, for the business to prove itself. It would be too easy to believe that today's existing enterprise units—with their own, bloated enterprise operational headquarters—could operate on a franchise basis if transformed into a network on a haphazard basis. And although the AVU recommends this method of transformation, it would not be sportsmanlike to grant the privilege of transforming a firm into an entrepreneurial franchise to those who have managed that enterprise thus far.

One could only hope that entrepreneurs would be able to say something about this: People whose own ventures in the same fields would suffice as appropriate references for being qualified to establish a franchise even if the process involved a state enterprise to be privatized and the help of a professional franchising organization. Privatization should not provide advantageous positions to enterprise headquarters which also have benefitted thus far from their privileged situations. And it is inappropriate for such state enterprises to disguise their power salvaging endeavors as franchising.

Financing

One of the greatest benefits provided by the conference was its shortcoming of not conveying any information to the participants concerning franchise financing. The main reason for this shortcoming was that the OTP

[National Savings Bank] had not developed either a franchise financing method or even a related concept, according to OTP Division Director Janos Bakonyi. This is so even though the OTP is well aware of the fact that real franchises carry less financial risks than new entrepreneurial ventures, precisely because of the proven character a franchising business has to have. And this holds true even with respect to a starting entrepreneur who wishes to become part of a franchise. By no coincidence, franchise financing is more flexible and requires less collateral throughout the world than the financing of other businesses. Based on what has been said at the conference, the OTP's entrepreneurial directorate would have a "franchise package" early next year, and thereafter it might even grant loans. Until that time, however, loan agreements must be consummated based on combinations of existing entrepreneurial loan programs.

Another feature of franchises which can be tied in with privatization is the purchase of master licenses from foreign firms. This undoubtedly is a simple and clear-cut solution. True, it is a bit costly, and one cannot even remotely tell whether the Hungarian public would like the "pudding" that had been prepared abroad. But the price is high only on a relative scale. A price that is high for a small entrepreneur may not at all be high for a state enterprise willing to sacrifice anything in order to survive privatization. And although the AVU also supports this kind of enterprise transformation, there had been no response to a question raised by Investcenter: Wouldn't it be more appropriate to give preference to private Hungarian entrepreneurial ventures which could be franchised?

Doubts

Similarly, no explanation had been provided as to the kinds of benefits an entrepreneur could derive from joining a franchise system, or specifically, what an entrepreneur could receive in exchange for the royalties and the commissions must to continuously pay based on sales volume. To mention only the most important items: What kind of common profile, well-introduced trade name, continuous training and common advertising could a franchisee obtain for his money? Considering the fact that franchise agreements unilaterally concentrate on protecting the interests of the one who sells the franchise, it is not so easy for a franchisee to quit a franchise, after all. And this is the reason why future entrepreneurs who presently manage stores and await transformation of their enterprises are somewhat skeptical about franchise transformations linked to privatization.

And this is the reason why I am concerned about franchising, which is a secure form of operation for entrepreneurial ventures. The franchising concept is spreading its wings in Hungary in a field where the method itself has not been tested at all.

Nastase on Reform, USSR, Hungary

92BA0085A Bucharest CONTEMPORANUL
in Romanian 18 Oct 91 p 2

[Interview with Foreign Minister Adrian Nastase by Magdalena Popa-Buluc; place and date not given: "For Us, Hope Is a Must"]

[Text] [Popa-Buluc] Minister Adrian Nastase, I think that your visit to the United States was one of the most delicate diplomatic missions. You had to pick up the broken pieces again. What was the significance of that diplomatic marathon, whose preset schedule was far from the reality you had to handle?

[Nastase] My visit to the United States was indeed difficult, first because I had to adapt to different conditions and to be constantly in fast motion, although I had come with certain hopes. Considering that we were already riding on top of the wave, I woke up, or rather we woke up, at the bottom of the wave. The frustration was very great because we had to go back to the shore and try to put the boat back into the water. This continual effort is extremely exhausting and unprofitable, but we have to do it, in the name of our homeland and our present destiny, with all its good parts and bad parts. For us, hope is a must.

[Popa-Buluc] Do we still have a chance to avoid burning our bridges to the world and not to stand out in a negative way from the general lines of development in East Europe?

[Nastase] The chance belongs to the future and that is why we must endeavor to make even greater efforts to prove that accidents on the road don't affect in any way the route we have chosen. One serious problem was for me personally to understand what had happened in Bucharest, as I was constantly mixing hope with the reports that were reaching me. I was hoping and dreading lest we experience a radical disconnection from the processes underway in East Europe.

[Popa-Buluc] Being in the United States at the time, you had an opportunity to present the real causes of the miners' raid and, of course, its implications. What were the reactions in the United Nations and the United States, and what consequences do you foresee?

[Nastase] Among other things, I tried to explain that one of the difficulties in understanding what occurred in Romania stemmed from a certain stereotypical image of the Roman government. It had already been labeled a communist, or more exactly, a neocommunist government. When the events occurred and the veil was lifted, it became clear that the reform program was a radical, democratic, and anticommunist program, something that contradicted the preset stereotype. Consequently, a conservative reaction to a radical reform program did not fit the diagram of the existing government. That created a certain discomfort, in that it showed that the initial judgment was incorrect, and hence the lack of

financial aid for the Romanian reform. Another thing I stressed was the link between the process of political changes and the process of economic changes. The two cannot be separated.

[Popa-Buluc] You had an opportunity to present these events to Secretary of State James Baker in one of your talks with him. Do you think that they were objectively comprehended?

[Nastase] The main concern of the future government and of Parliament is that the process of democratization and economic reforms shouldn't come to a stop. I discussed all these things with Mr. Baker and I highlighted the risks threatening our society at this difficult time. All the more since our means of overcoming our grave problems are very closely tied to foreign connections and to aid from international financial organizations. Being cut off from the programs of these institutions can produce an economic collapse with incalculable consequences. Therefore, I stressed to Mr. Baker the need to truthfully consider these events as the shock reaction to the greater earthquake that was the Romanian revolution, which is exhausting its negative energies in smaller aftershocks. It is very important that we have the support of the international community. The U.S. secretary of state assured me that if the process of reform and democratization will continue in our country, we will be able to count on U.S. support.

[Popa-Buluc] Did the events in Bucharest bring the process of change to a halt, or not?

[Nastase] The process of change did not stop, and the political data I have are rather arguments along this line. I wholeheartedly hope I'm right in this matter. In fact, all the political declarations I have heard from parties and politicians support this and from this viewpoint, political signals from abroad are fundamental. A break between us and the East European world would be a tragedy.

[Popa-Buluc] Has there been any change in the recently increasingly open attitude of the United States toward Romania? Can the relations be continued and moreover, can we obtain concrete aid?

[Nastase] In my opinion, we have recently established open and frank channels of communication with the United States; the Americans have begun to more exactly understand what is going on in the Romanian society. At the same time, they have begun to believe more firmly in Romania's strategic importance in East Europe and in the Balkans. In the end their reactions showed understanding. I recall the visit of Robson, treasury undersecretary of state, the visit of Ambassador Thomas Pickering, and the legal colloquia organized with the American side: We are on the verge of carrying out about seven or eight assistance and support ventures, something that is very useful. We cannot say that we don't have problems. If we have help in resolving them, they will be resolved at a normal pace. But we must win their trust as partners. If we do find a new path and make

it close to the Western path, then these things must be more clearly reflected in our political actions. Here, too, however, we must overcome a certain inertia. The visit of Undersecretary of State Shiffer to Bucharest these days reflected precisely a desire to comprehend the realities prevailing in Romania and to gain a deeper understanding of them. I hope that in a next stage a group of economic experts will arrive in Bucharest to study the manner in which they could more substantially support the Romanian reform. There are also many assistance programs in which we should be included. I think that the understanding at the government level is correct, in the sense that we're dealing with things inherent to this kind of postrevolutionary process. In my view, the much more serious effects are at the level of international public opinion, private entrepreneurs, and small businessmen, where the doubts persist and where there is a certain barrier of lack of interest and even a measure of fear about our economic market. Many of the effects will fade at this level, too, especially concerning major politics, but unfortunately, some of the negative effects will be magnified at the medium and low levels. For a while there will be a certain coldness and lack of interest. Although those who are better acquainted with Romania already have an economic presence here, or are trying to acquire one. That has been our experience at the Bucharest International Fair taking place these days, where many serious firms are exhibiting.

[Popa-Buluc] On what factor do you think that this future program will depend?

[Nastase] There are two closely linked things. If we manage to send a clear message by means of the government formula and program, the political agenda of the Parliament, and our domestic life in general including the local or general elections, i.e., if we focus our attention on these things, then of course the international community can help us more.

[Popa-Buluc] Nonetheless, how was this deviation from the practice of democracy viewed and what conclusions were reached?

[Nastase] Democracy is a process and like any process, improving on it requires a certain amount of time. Concerning the events in Bucharest and the arrival of the miners, people were shocked because they didn't understand this method of making demands, because this violent method is not part of the mechanisms of democracy. From the viewpoint of a Western democratic society it is inconceivable that changes should be imposed by a pressure group representing a profession rather than an entire social class. Some people asked me: "What in fact is happening in your country? We can no longer understand what you want and in what direction you're going." I think that we ourselves must learn some lessons from these events and must realize that the recurrence of such things is disastrous for the country's image abroad. Because these things will be used by those who don't want us to join the advanced battalion of the competition. There were some surprising reactions, too.

For example, the declaration of the Bulgarian president's spokesman who, of course, aside from the desire to obtain advantages for his country, made an unfair attempt to take the lead by tripping up the competitor abreast of him in this race. This is not doing anyone any good, because the Western countries know exactly what it is all about, they know the potential of each country and their strategic importance. The only means of exercising power recognized in a democratic system are elections. From here the extraordinary stress that the Americans constantly place on honest elections in East Europe.

[Popa-Buluc] Most-favored-nation [MFN] status was recently granted to Czechoslovakia and Poland. What may we hope?

[Nastase] These are long-term processes that began years ago. That is why I think that we must view these things very responsibly and unemotionally. We have engaged on this path to have the MFN status restored. In fact, the Jackson-Vanik amendment is precisely a first step in that direction. Negotiations will begin at the end of the month for a bilateral trade agreement that involves precisely mutual MFN status; after that, toward the end of next year, the treaty can be ratified, and in those conditions Romania will also be able to enjoy this treatment.

[Popa-Buluc] Before your departure for the United States you hoped that Romania could become an area of stability in a region of conflict. What do you think today?

[Nastase] I think I was right and I continue to believe that Romania is a stable country at the geostrategic level and from the domestic viewpoint. We do have these sources of negative energy, which I think are inevitable. We are still not very good at providing safety valves for the frustrations existing in society and for the dissatisfaction accumulated. We have not had much help in this process, either. The conclusions about the events in Bucharest are not only for us, but also for those who are looking through the window. We must be honest with ourselves, but also with others. Only this kind of dialogue can have an impact not only on the Americans, who love these kinds of discussions, but also on the Westerners. The main lesson for us is that only by continuing to advance and showing significant political gains can we help the others help us. In the final analysis, as I said, the evaluation will be based on major items of the political agenda, like local elections, general elections, the drafting of the Constitution. Those items become significant through their many macro-systemic effects. That is why we must be realistic and we must understand the American philosophy and perhaps the operation of the lobbies among these decisionmaking centers. On the American side there is much readiness along this line.

[Popa-Buluc] Not long ago Walesa criticized the West for failing to offer prompt aid....

[Nastase] If the president of Poland is making accusations about the West, I don't know how we're supposed to react. In recent years Poland secured close to \$20 billion, while we got only a little over \$1 billion. From this viewpoint our situation is much more difficult. Because in order to succeed, any economic reform needs not only trust, but also financial resources in order to be implemented.

[Popa-Buluc] Many of the visits on the diplomatic agenda announced for September and October were postponed. We appear to have fallen back more than one year....

[Nastase] Indeed, we had already begun a very eventful course. We worked hard to achieve these contacts, which had a dual purpose, political and economic. On the one hand we have to realize that these are technical issues at this time because of the absence of a well established interlocutor. They were not cancelled, only delayed. Unfortunately, we don't realize how harsh the competition is at present among the east and central European countries. We are in an extremely difficult situation and that's exactly when we provide negative arguments; this is incomprehensible. The competition both for economic and financial aid is harsh, because the stake is very high and because the available amounts of money are very limited. Not to mention the new requests that have appeared and that are beginning to be considered, such as the Baltic countries and the Soviet Union. Of course, notwithstanding the desire to understand the reaction of people affected by the changes, which is understandable at the human level, notwithstanding that, the social dialogue has to conform to a democratic framework. That is the only thing that can be understood, that is also efficient for the country, and that can be understood abroad, too. We must be more active and not allow too much of a distance between the events as such and our reaction.

[Popa-Buluc] Do you believe in the legitimacy and credibility of a national unity government at the foreign level?

[Nastase] Foreign policy is not built upon party strategies. I hope that such a government, which will rally the support of all the political parties, will send a clearer signal of responsible political and social engagement in the reform and in change. Consequently, it can have not only greater legitimacy, but also greater credibility. As I was telling you, precisely our domestic success must achieve this, both at the political and economic level. All the countries that have experienced a policy of austerity have realized that they need this kind of internal consensus. They understand that currently the politicians must show greater availability. At this time everyone needs to keep in mind the vital objective: the common interest.

[Popa-Buluc] How does Romania view the new declaration signed by the Trilateral?

[Nastase] Institutions have their own logic, which makes it naturally churn out ideas and produce documents. This is probably one of the valid facts known to those who deal with the theory of institutions. The Trilateral proceeded from a certain common interest in drawing closer to the Common Market; in addition, in the midst of the changes in East Europe, it is tending to develop other components, too. It is what is known in the theory of international organizations as "expansion of objectives." It is something natural and I don't think we need be concerned; of course, only if we manage to become strong domestically and economically interesting abroad. In any case, we are worthy of every interest from a strategic viewpoint and this fact is known to others, too. To a great extent our value as a partner is built up internally; it is not achieved only through political or diplomatic games. Naturally, that is one of the factors that at a given point can raise obstacles or help in a certain direction. But the decisive stress remains inside the circle.

[Popa-Buluc] We are located in a region of Europe that is rather at risk. The ultimatum given to Yugoslavia has expired. Romania has been placed in an uncomfortable situation by the unstable conditions in Yugoslavia.

[Nastase] Yugoslavia's situation currently presents many factors of uncertainty and contradictory vectors coming from the outside and interacting with those of the republics. For us the main thing is to stress that the right to self-determination is equally valid for all the Yugoslav nations and that we hope this right won't be affected in its realization by neighboring countries, whose special responsibility is precisely to create an international atmosphere favorable to the achievement of an internal solution. I do not believe in an imposed solution in Yugoslavia, in military solutions, in dispatching troops, or in interventions designed to resolve or to create a lasting solution for that country's problems. I think that all the problems must be settled there, between the nations in question, and our position is that we mustn't interfere in any way in any area of Yugoslavia. But what we do need to stress is that the clashes and the violence must be stopped.

[Popa-Buluc] What is your view of the present relations between Romania and Hungary?

[Nastase] Unfortunately, with Hungary we have a long history of disagreements. That history began after World War I; some of the problems are of a political nature, others are psychological. They have been extremely compounded by the fact that their reverberations can be noticed both at governmental and nongovernmental levels, both in Romania and in Hungary, not to mention in Hungarian organizations and in the organizations of Hungarian emigres abroad. At the Foreign Ministry we perceive these things almost daily. They are not necessarily linked to the political center in Budapest, but it's like a nuclear fusion process which, once it starts, develops through aggressive repetition and multiplication, so that one no longer knows who is leading the

process and what interests are involved. The basic problem for our relations with Hungary is of a psychological nature, it is the issue of trust. We are constantly running into a certain repetitive, obsessive message about the rights of the Hungarian minority, which is rather unpleasant and rather unjust, because, on the one hand, countless things have been done in this area, even though others still remain to be done. Unfortunately, however, there is never any mention of anything done. On the other hand, it is not clear why among all the national minorities, the only one about which there are problems in Romania is the Hungarian minority. This is causing some frustration among our public, who gets the impression that the issue is not so much the problem of the Hungarian minority and its rights, but a problem of territory. And that, under the pretext of violation of some human rights concerning the minorities, is creating as a substitute an explosive situation designed to keep the issue of Transylvania a "hot" topic. Of course, this bothers us. We have stated very clearly that we will not accept absolutely any of the claims that we find incorrect and unfair, and that we will react, so our message must be very clear and widely known. I think it was precisely in order to avoid what was frequently presented as a crystal-clear position on the part of the Hungarian government, namely its position regarding the territories, i.e., including Transylvania. Precisely in the hope that this claim is correct and reflects a truth, we sent a draft bilateral treaty which should outline the principles of our relations very clearly and precisely: the issue of frontiers in such a way that we can be free of the feeling of a balancing act between the various political figures and governmental and nongovernmental organizations. This must be clarified very thoroughly, and on that basis we will later be able to build both psychological and political relations free of ambiguity and capable of taking into consideration what at that point will no longer be viewed as one element of a long-term strategy, but as a wish to have the rights of the minorities more naturally expressed.

[Popa-Buluc] Watching the political meanderings in the Soviet Union and the tensions generated by poverty and malnutrition—at a second stage, the same dissatisfactions may pave the way to a new reversal, to a second putsch—in these circumstances, what is our position toward the Soviet Union?

[Nastase] I think that at present one of the major problems is that we don't exactly know what's going on in the Soviet Union at this point, and perhaps the Soviet Union itself doesn't know what its political configuration will be. Precisely because the state of numbness did not end after the putsch, some very different elements and temptations are emerging; it is not clear how the competencies will be divided between the center and the republics; a measure of competition is appearing among the republics, and then there are the West's interests concerning the Soviet Union. The West seems to have hoped for a Russia led by Gorbachev. I suspect a certain desire to see the Soviet Union lose some of its imperial

power or, let's say, of its former aggressive power. At the same time, however, the West doesn't want its power to diminish too much, so that this power can ensure control of nuclear weapons. There are very many interests involved here. I think that regardless of what will happen, we cannot decide that nothing exists anymore at our eastern borders because a few things have happened or because a process of change is underway there. Either enthusiasm or exaggeration in this respect can do us enormous harm. Regardless of its configuration, the Soviet Union—based exclusively on the republics plus something else, at the most a certain form of central organization—will be an important partner and neighbor. We will have to take into account the Soviet Union's new map: The Ukraine will become for us a country with which we will have to have intensive and good relations. Russia will also become a country with which we will have to thoroughly organize our relations. The same goes for the Baltic states and some of the Asian republics which are on the Black Sea. Even before the putsch in Moscow we had a visit from the foreign minister of the Russian Federation; the Ukraine foreign minister is expected in Bucharest soon, and the foreign minister of Belorussia has been invited. I have paid a visit to the Baltic states. Thus, we are endeavoring to cover this area so that the doors should later be open for economic contacts.

[Popa-Buluc] What other projects do you have on your diplomatic agenda?

[Nastase] We are now preparing a whole roster of treaties with France, Spain, Greece, Czechoslovakia, and Germany, some of which have already been initialed. They will send the necessary signals in our bilateral relations. Next we have a large number of both routine and more important ventures, and pretty numerous visits at the level of undersecretaries of state and directors, which usually go unnoticed by the press. In the end that is probably the most interesting life in politics, because this is where the fabric of institutional contacts, which is the most important, is woven. Of course, top level contacts are more visible, but the diplomatic life goes on and these days we have several important visits, all in preparation for other steps and other events.

[Popa-Buluc] Anything about the activities of Romanian embassies staff? We would like to see the foreign affairs personnel being more active and perhaps more competent in the service of the country.

[Nastase] We are having difficulties finding a political diplomatic team; many of those who could have been ambassadors had been connected to the structures of the old regime. On the other hand, one cannot go too far and coopt people without any kind of experience in this field. Being an ambassador requires first of all being a professional diplomat. I don't think this is a time like after World War II, when the game was already played, so ambassadors had nothing to do but hold conversations and could therefore be poets or mathematicians. With all due respect for the ambassadors of that time, then the

situation was very clear. Today the stakes are very high. In addition, it is difficult to find an ambassador that is not contested by one of the sides. Consequently, we make compromise choices. How big are the compromises?! Clearly we are not in the best situation. We have a very long list of candidates, but... Even in these conditions we still have 18 vacant ambassador posts.

[Popa-Buluc] It seems that the situation is equally bad about our cultural ambassadors. As you know, the idea that culture is the key to a country's opening to the world is very frequently mentioned. Why don't we open more and more prominent cultural centers abroad, like the other former socialist countries?

[Nastase] We did not use to have cultural attache posts and have only now managed to get the Accademia di Romania going, where Professor Busulenga will soon go, and the Romanian Library in New York. Then there is the Casa Iorga in Venice. So a few things have been done. We managed to create several cultural attache positions, which were very difficult to obtain because we do not have slots. There is a "legacy" of cultural and press attaches that we can have, but on one condition: that we have the necessary money. We are endeavoring to redistribute what we have, to shift the emphasis, to reduce the administrative personnel as much as possible and to turn the slots into diplomatic positions. We have adopted a more aggressive stance regarding honorary consuls, who are foreigners, businessmen, or cultural figures who in reality represent Romania's interests. When you're poor, your diplomacy has to be geared to your interests, and this is one of our most serious problems. We have only seven diplomats in Washington. I think that is unacceptable. What can they do in such a diverse world of decisionmaking centers? We are trying to open three consulates: in New York, Los Angeles, and Chicago. I also want to mobilize our resources according to areas of interest. We are trying to prepare the paperwork for six members of the Union of Writers who will go to six

capitals, something we managed to do by streamlining the administrative personnel. But there is still a lot to be done...

[Popa-Buluc] What is the first major step that Romania should take now?

[Nastase] I think that the Romanians should first come together among themselves before asking for help from abroad. Perhaps what I'm saying will sound romantic to you. I think that internal solidarity will benefit everyone. I pin my hopes on a social adhesive that will help restore faith in the institutions of the democracy in spite of our inherent differences in the matter of political choices, philosophical preferences, or lifestyle wishes. In the end this may be provided by a social step which in the trade union and labor areas will ensure the necessary peace for achieving economic changes, and in the foreign affairs area will signal stability and security to foreign investors.

[Popa-Buluc] Minister, what is your view of Europe's future?

[Nastase] Unfortunately, one cannot see Europe because of all those who are scribbling all over its map. Each one thinks himself competent to draw or erase frontiers and to organize Europe by regions or various geometrical formulas. I believe that Europe is going toward an institutional unity as a first stage. This will materialize at the economic level through the expansion of the Common Market toward the East; at the human rights level through the expansion of the European Council toward the East, and at the military and strategic level through the expansion of NATO to the East. So, in effect, the model is one of institutional expansion from the West to the East and of progress toward uniformity, which will fill the void created by the dismantling and destruction of the communist structures in East Europe and their replacement by Western structures. This institutional unification will also lead to a process of integration. How soon this will happen depends on many factors.... Time may not be as important as the direction of progress and development of future events.

War Exploits of Air Force Corps Commander

92BA0095C Belgrade NIN in Serbo-Croatian 18 Oct 91
pp 30-31

[Article by Uros Komlenovic: "General Ljubomir Bajic:
A Flying Prince Marko"]

[Text] Here is what is happening in the civilian life in Bihac: In the nightclub "Hollywood," the main number on the program is a review in sexy underwear. Zorica Barac, a model from Belgrade, says that the war is "somewhere else": "The newspapers exaggerate, there is no danger at all. Bihac is a peaceful town, and the people are extremely hospitable." She, of course, could not have known that that evening someone fired shots on the garrison less than 2 km from the center and wounded a soldier on guard duty.

Fierce battles were waged a few days earlier: Members of the Croatian Guards from Vaganac and Dreznik carried out a mortar attack on the immense military complex not far from Bihac, on the border with Croatia. The Army responded with twice as much as it had received: "Vaganac is wiped out, and little is left of Dreznik," the noncommissioned officer observed with satisfaction. This action was led by Ljubomir Bajic, recently promoted to the rank of general major, commander of the 5th Corps of the Air Force and Air Defense, which has its headquarters in Bihac. This man, known in the Croatian press as the "Russian cowboy," is universally liked by his officers: "Baja has guts....," one of them says. War has left its mark on Bajic's life story.

Direct Hit

"I was born in 1939 in Banja Luka, I lost my father in the war, and my mother, sisters, and I experienced the occupation as refugees in Serbia. After the war, Mother supported the three of us with a small pension. In times that difficult, a person perhaps matures too early. After the first two years of high school, I decided on a military career and finished the third year in the infantry school for noncommissioned officers in Bileca in 1956. I served as a sergeant in Banja Luka under General Ivan Gosnjak, who at the time was state secretary for national defense. Later, I graduated from the military police school and then after serving three years in Sarajevo, I enrolled in the 17th class of the ground forces military academy, and during the first year, which was very hard for me, I transferred to the Air Force Academy. I graduated in 1964 first in my class and flew the American F-86, which became famous in the Korean war. In 1969, I completed advanced training for supersonic aircraft, which was quite difficult because of problems with blood pressure. I have had many posts. In 1988, they appointed me chief of staff of the Zagreb Air Force Corps, and since 2 July of this year I have commanded the 5th Air Force Corps in Bihac."

For him, the war in Slovenia was not, as they say, "any war at all." He came out in public against withdrawing the Army from Slovenia, and it is here that one should

look for the roots of his popularity among the more combative officers. He gained fame as a fighter after the action of capturing the Ugandan plane at Pleso Airport:

"I was awakened at about 0500 hours. In the operations center, they told me and my deputy, Colonel Sovagovic, that an airplane was entering our airspace strongly suspected to be carrying smuggled weapons. The fighters went up, the Ugandan plane followed our instructions and landed at about 0615. I arrived at Pleso and at about noon began to surround the airport. We received a report that Croatian military formations had the task of taking Pleso and the airplane at any cost. Sometimes a dangerous situation can be worked out by just one soldier. When the shooting began, the gunner in the anti-aircraft gun crew sent a warning shot at the vehicle carrying the Croatian special troops. They did not heed the warning, which was followed by a burst and a direct hit. At that point, they all began to flee. The airport was blocked off in a wide circumference. This made it possible for us to remove the arms and equipment from the Ugandan plane and transport them out of Croatian territory, and two days later we took the aircraft itself to Batajnica. When the Zagreb flight controllers heard the sound of that airplane, which had made a low turn above them, they shouted: 'The Serbs have stolen our airplane!' Their supervisor told them: 'Fools, all of that is going into the Federal Treasury from which we get our salaries.'"

Then came the promotion, the rank of general, as well as the popularity that is pronounced even among the rather phlegmatic soldiers waiting for their hitch to be up, and sometimes even "speeding up the process"—every morning that dawns there are a few uniforms cast aside in the Bihac park. The officers complain of treason, particularly referring to Gen. Tus, former commander of the Air Force and Air Defense, of whom Gen. Bajic says:

"Tus's action was aimed at causing a split in the Air Force, but the opposite was achieved. I think that not a single one of our military leaders since the war has taken advantage of privileges and abused his position as Tus has done: he went hunting, he used airplanes for private purposes, and so on. To the possible question of why we did not prevent that earlier, I would reply with a joke associated with the 20th Congress of the CPSU. When Khrushchev spoke about Stalin's mistakes, someone in the auditorium asked: 'Why didn't you react earlier?' Khrushchev asked with an angry look on his face: 'Who asked that question?' There was complete silence. Khrushchev laughed and said: 'There, that's why.' It was the same way with us in the Air Force. In any case, I think that Tus sold himself for a villa on Tuskanac and a good BMW."

Offense and Defense

Treason among the officers of the 5th Corps is an inexhaustible topic of conversation. The "dispute" particularly concerns those Croats, Slovenes, and other "non-Serbian" officers who have remained loyal to the Army, but are not able to "fire on their own people."

Some find justification for them, referring to "divided loyalties" under the pressure of family, friends, and the media, while others favor a rather severe position: "Either you are with us or against us." Gen. Bajic holds those officers in high regard:

"One can say of every one of them: 'A man, how proud that sounds.' Although there are not many such officers in our corps, some of them are my closest associates, and I will take pains to see that they get the highest recognition and everything that honest and honorable men are entitled to."

At a time when the war is being waged to an equal extent on the propaganda front, it is logical that certain successful actions of the 5th Air Force Corps have evoked in the Croatian press an avalanche of attacks on this unit. GLOBUS of Zagreb says that the losses of aircraft are immense, the pilots incompetent, that the airplanes do not have enough equipment and replacement parts, that they are outdated and old (the "Orao" is supposedly unsafe in landing, etc.). The unit's commanding officer is a particular "target," because of his "pro-Soviet stance," which is illustrated with certain interesting details.

"All those stories are based on an event in 1984. During a forced landing at the airfield, when I did not know how I would survive, I shouted: 'Long live Yugoslavia and Russia!' This did not refer to the Soviet Union or to their regime, but to the Russian people, who in World War II suffered immense casualties and broke the back of German fascism. I love every people, but I hold the Russian people in particularly high regard, and that has nothing to do with that country's politics and leadership. As far as GLOBUS is concerned, their editor in chief and managing editor is Denis Kuljis. While I lived in Zagreb, we lived in the same building. His father was a lieutenant colonel in the Maritime Institute and left me his military apartment. That same Denis Kuljis is now spitting on the Army and writing the most loathsome things about me: that I am a Serbian expansionist, an anti-Croat, and the like. My sister is married to a Muslim, a close relative has a Croatian wife, I am a Bosnian, from Bosanska Krajina, a Serb by birth, and a Yugoslav by conviction."

Gen. Bajic agrees that his unit has problems with the outdatedness and shortage of equipment, but he blames this on Gen. Tus and on the six years he headed the Air Force. He denies the other allegations, saying that aside from problems with the hydraulics, the "Orao" is a good plane, that the losses in the "Croatian campaign" are minimal so far, and he especially emphasizes the competence and good training of his people. The general also says that the JNA [Yugoslav People's Army] did not bomb Banski Dvori:

"Tudjman's personal bodyguard, thinking that a pilot had done this, gave him credit for being well trained and precise. I have to disappoint him: We do not have any plane or weapon that could be so precise. Operations against urban targets can be conducted only by airplanes with special systems for fire control, with projectiles that

are guided or self-guided to a point, and we do not have them. What is more, they are so well organized that they react with an air alert every time a plane of ours takes off, and there was none at that time. I learned from the newspaper that Tudjman, Mesic, and Markovic were in Banski Dvori. What kind of intelligence service would know that precisely they would be there at the moment of the explosion? To be sure, I do not reject the possibility that this was done by a plane that came from some other direction, but not from the Yugoslav side, but I think that it was most probably rigged, because there were no casualties nor extensive destruction that an action by an airplane would inevitably have caused."

The Fate of the JNA

The local population, mainly of Muslim nationality, has persistently tried to ignore the war. Relations with the Army are correct, and the people from the Army give the credit for this to Fikret Abdic. "Babo" of Kladusa, a bigwig in this region, recently had a talk with Gen. Uzelac, commander of the Banja Luka Corps. The result of the conversation, roughly stated, might be seen as a kind of "nonaggression pact" between the Army and the Muslims in the Krajina. Nevertheless, the war is causing innocent casualties. Recently, two deer entered a minefield: "One was torn entirely to pieces and the other only partially," the old colonel said precisely. This event brought a welcome change in the mess hall, which soon will have to feed the soldiers coming from the Zagreb garrison at Borongaj, who are slowly arriving in Bihac. Gen. Bajic does not like the Hague agreement on withdrawal of the JNA from Croatia at all, he considers it an ultimatum, and he associates it with the interests of foreign capital, especially German capital. He does not want to talk about the fate of Yugoslavia, he leaves that job to the politicians, but he thinks that the JNA cannot survive in the form it has had up to now.

"Regardless of the size of Yugoslavia in the future, we need a smaller army, one that is radically changed, modernized, highly professionalized, and well trained. Every soldier would have to be as well trained as our paratroopers from Nis."

At mention of depoliticization of the Army and changing the ideological symbols, Babic wrinkled his forehead and said:

"We received the order of the Federal Secretariat for National Defense prohibiting any party activity in the Army. The symbol which we have, the red star, is perhaps ideological; however, for me it is above all a symbol of the fight against fascism, and I wear it proudly. If a decision comes down to change the symbol, I will accept it in a disciplined way like a professional."

It would be a mistake to even think that one of the best officers in an elite branch of the armed forces will not accept in a disciplined way the order from his superiors. Yet it is difficult to escape the impression that it would be hard for him to remove the red star. And while in the

military YaK [Yakovlev aircraft] rushing toward Belgrade the officers chat easily about the war: "It should have been cut down at the outset," "Too little use is being made of the tanks," and the like. It seemed that the newsman from GLOBUS was wrong when he called Gen. Ljubomir Bajic a "Russian cowboy," failing to understand the epic spirit that exudes from this man with its good sides and bad. He certainly would have preferred the epithet "Prince Marko of the Air Force," who "drinks half and gives the other half to his MiG."

Leading Economist: EC Boycott of Serbia Unlikely

92BA0095A Belgrade NIN in Serbo-Croatian 11 Oct 91 pp 24-25

[Interview with Dr. Ljubomir Madzar, economist, by Filip Mladenovic; place and date not given: "Hardships—Should There Be a Boycott?"]

[Text] [Mladenovic] In general, under today's conditions, how possible is an economic boycott, which the United States and certain members of the EC are favoring more and more?

[Madzar] An economic boycott of Serbia is not likely for the present. All of those reasons that have been presented in past weeks in support of a boycott do not have a firm line of argument backing them up. Certain suspicions and guesses are still predominant. However, a valid decision on a boycott would first require precise determination of the level of Serbia's involvement in this horrible war with Croatia. And that does not seem to be a simple matter at all. Even for us who live here. Only when Serbia's actual degree of involvement in the military conflicts has been ascertained in an irreproachable way would the West be ready to undertake a boycott.

A boycott of Serbia itself would also be difficult to carry out from the purely technical standpoint. Serbia, for example, at somewhat higher costs, would be able to import everything it needs through Bosnia; economic considerations would motivate Bosnia to import as much more of various goods as Serbia needs. So I am not surprised with the most recent suggestion that a boycott might cover not Serbia alone, but all of Yugoslavia. This is natural both from the standpoint of fixing "blame" and from the standpoint of the practical feasibility of the boycott. On the other hand, if there really is a boycott, for the public here, which unfortunately is not sufficiently informed, that would be a clear signal that Serbia is more involved in the war than it seems to us.

[Mladenovic] Let us suppose that a boycott of Serbia does occur after all. What can we expect in such a situation?

[Madzar] If a boycott should come about it is not very likely that it will be successful. First, because in the advanced part of the world there is no command economy under the dictate of politics; the laws of the market prevail there, so that it is practically impossible

for the entire economy to begin to behave this way or that way at a mere wink from some politician. The firms there want to earn money, to profit—that is, they are emancipated from politics. But if there should be certain elements of a boycott, which certainly should not to be precluded, the big question is how this would be implemented. Past experiences with boycotts demonstrate that they nevertheless have not been successful. And the reason is that the economy is like some living organism with an abundant and highly developed capillary system. If certain economic flows are severed with the use of force, then ways are found for goods and money to nevertheless reach the ultimate beneficiary by roundabout ways. You recall that orchestrated boycott of Slovene goods in Serbia. At first I was opposed to that boycott, and then I said that there was no chance of that boycott achieving the effects expected by the politicians giving orders for it.

[Mladenovic] Can it be that the recent case of Iraq and its international isolation are not warning enough?

[Madzar] The example you refer to can hardly be compared to Serbia. However, in the case that a boycott does occur, it would have certain consequences, in spite of the fact that it would not come close to producing those effects the initiators of the boycott probably expect. There would be disruption of normal flows in production and trade. The risk would be higher, and that would mean higher insurance costs, and shipping costs would also be higher. We have that even now in the case of petroleum products. Or this recent severing of the Yugoslav electric power system. Serbia has now been compelled to export power by a roundabout way, via Hungary and Austria. What if even those countries join a possible boycott of Serbia? Following the escalation of the war in Croatia, Serbia can use Greece, more accurately the port of Thessalonica, as an alternative exit for a good part of its trade with the world. On the north, the way out is to Hungary, and there is also a great opportunity for the Danube, which for Serbia has the value and importance that a small sea might have.

[Mladenovic] Serbia's most important economic partners are Germany and Italy. What would happen if those two countries joined a boycott?

[Madzar] The Serbian economy, just like the entire Yugoslav economy, is characterized by a high level of dependence on imports. In other words, this means that the economy is using a high percentage of imported production supplies. Our entire development strategy has been mistakenly based on imported raw materials and supplies. The world has, so to speak, been turned into an appendage from which Yugoslavia derived its raw materials. The importation of production supplies represents a very high percentage. A boycott could impede the inflow of those production supplies. That in turn signifies a drop in the level of capacity utilization and a decline of production. A drop-off of production means a decline of the social product, and employment and also export would fall accordingly. The drop in

exports would mean diminished abilities for further importation of everything we need.

[Mladenovic] How do matters stand with foreign investments in the case of a boycott?

[Madzar] The inflow of capital is something that we absolutely have to have. If a boycott of Serbia were proclaimed, that would also have an effect in terms of information, or, more accurately, as a warning signal. A country subjected to a boycott is actually a country with a very high degree of risk. Because of the war, we are a country which many are avoiding, but a possible boycott would increase that even more. Flows of capital, which are already scant, would dry up altogether, and that would mean Serbia's exclusion from world financial flows for a lengthy period. After all, those flows cannot be activated overnight. Time is needed to get them going. At the same time, independently of the missing inflow, Serbia would have a slow and hard going to become part of the world capital market, which would also have a bad impact on its development.

I should also mention a possible information boycott. We are part of the world information system, and through it we exchange various types of information, from business to scientific. If they excluded us from that, that would really be a very unpleasant thing. Not only because we would be getting less information from the world, but because we would be prevented from sending out information about ourselves. Even though the world esteems us more on the basis of what we do than on the basis of what we say about ourselves, that would certainly have an adverse effect on Serbia's image in the world, which is already bad.

Exiled Split Professor on War Consequences

92BA0095B Belgrade NIN in Serbo-Croatian 18 Oct 91 pp 18-20

[Interview with Dr. Slobodan Komazec, economist and exiled professor, by Slobodan Reljic; place and date not given: "The Products of a Sick Mind"]

[Text] Dr. Slobodan Komazec, a professor, was born in 1939 in Zegar, Obrovac. Until recently he was a full professor of finance in the School of Law of Split University. He also taught "Contemporary Economic Theory" in the School of Economics at Split University. He has taught in almost all Yugoslav universities as well as various scientific disciplines: Monetary and Public Finance, Political Economy, Economic Development Theory and Policy, International Economic Relations, International Finance, International Trade Theory and Policy, and Contemporary Economic Theory. He so far has more than 550 publications to his credit, about 20 of them books: *Novac, kredit i kamate u samoupravnom socijalizmu* [Money, Credit, and Interest in Self-Management Socialism], *Strategija stabilizacije ekonomskog sistema* [Strategy for Stabilizing the Economic System], *Izazovi budućnosti—kriza dugova i razvojna drama* [The Challenges of the Future—The Debt Crisis

and the Development Drama], *Monetarna i finansijska ekonomija* [Monetary and Financial Economy], *Savremene ekonomska kriza i inflacija* [The Contemporary Economic Crisis and Inflation], *Antiinflatona strategija* [Anti-Inflation Strategy], *Makroekonomska teorija i politika* [Macroeconomic Theory and Policy], *Inflacija—bolest modernog društva* [Inflation—Disease of Modern Society], *Savremene ekonomske teorije* [Contemporary Economic Theories], *Drustveni kapital, finansiranje reprodukcije i ekonomska stabilnost* [Social Capital, Financing Reproduction, and Economic Stability], etc.

[Reljic] How is the war being financed? Industry is operating at reduced capacity, trade.... There has been no tourism....

[Komazec] Believe me that no one in Croatia knows precisely, I think not even the Supreme Command. It seems to me that first, the largest part we have here is tax revenues and customs duties usurped from the Federation. Second, there are various forms of aid, above all from extremist emigres. And third, most likely—there is no evidence at present—there is concealed aid from allies: Germany, Austria, and Hungary. But the price is immense: The economy is in total collapse, everything has been extracted from it, budgets have been emptied, and, finally, 4.5 percent of the monthly personal income goes to finance the war.

There is also the possibility of printing money. The National Bank of Yugoslavia has no control over monetary flows. I would also mention here that during the activity that led up to the election many emigre circles were promised property—that is, the farms, apartments, and houses of Serbs in Croatia.

[Reljic] Have you perhaps had an insight into the value of the military equipment being employed in this war?

[Komazec] That is very difficult to say. If the Army were participating with all its modern equipment, I think we would be dealing with several tens of billions of dollars, and perhaps even more than \$100 billion. Then there is the military equipment which Croatia and Slovenia are importing, either overtly or covertly, which is being paid for. They will have to pay for it. These are not military stockpiles which have been written off in Germany, Austria, and other countries. This is aid that will have to be paid for sooner or later.

[Reljic] The consequences of that kind of exhaustion of both the population and the economy will probably be the destruction of institutions....

[Komazec] You see, this apocalypse of civil war is utterly irrational. There is no common sense in it. The material losses—assuming the war ends quickly—will climb to at least \$40 billion. And then comes the human loss. This is the reproductive segment of the population of two nations which are near the level of mere reproduction of the population anyway. I think that the human losses will be several tens of thousands of dead. Up to this point it

is likely—the lying and the needs of war propaganda not withstanding—that there have been even as many as 30,000 casualties.

[Reljic] And if the war does not end quickly?

[Komazec] That suspicion of yours, unfortunately, is objectively closer to the expectations. But just think what a horrible loss that would be in terms of age groups. A loss in terms of civilization. It is the young, the creative, and the able who will suffer.... Unless this is some hellish plan, if I might put it that way, to resolve social tensions, the problem of unemployment, in this fashion.

[Reljic] Who would be able to conceive such a plan?

[Komazec] Well, only an insane mind. But the more I follow these events, the more I come to believe that there are more and more such people around. Let me tell you: The collapse of the economy and society is followed by a social explosion which would have occurred very quickly if there had not been the military operations. But after that comes the fact that there is no interethnic trust, which is being lost terribly quickly and is hard to restore. That separation will be paid for in the form of hyperinflation, which is already at the door. It will have a terribly devastating effect. This is that well-known hyperinflation associated with war. Unless Yugoslavia makes a very significant change of course, it will very quickly experience hyperinflation almost identical to what Germany had in 1923.

[Reljic] There is no one around to make that course change?

[Komazec] That is the tragedy. Practically everything has been coopted (estruirano). There is a general absence of authority. No decisions can be carried out.

[Reljic] Does that price of \$30-40 billion include the postwar reconstruction?

[Komazec] No. And I must confess that even then I underestimated a bit the devastation of the war. Just think how much a bridge costs.

[Reljic] And then Seks has complained in public that they did not demolish all the bridges on the Danube.

[Komazec] Well, only an insane mind could do that. All of this is an illustration of how closed their minds are. There are public announcements of hunger in Croatia. I heard this over Radio Split.

[Reljic] What will be the price of reconstruction?

[Komazec] The reconstruction will be extremely difficult. The reconstruction of Iraq, say, is one thing and that of Yugoslavia or Croatia something else. The interest of capital in Iraq is different—there is petroleum there. It will be very difficult to attract capital here, because this will continue to be a region prone to earthquakes wherever they draw the borders. There will

remain the possibility of conflicts flaring up. It will be little short of a permanent Ireland, a permanent Basque country. It might even be a culmination of both of them. For that reason, capital, in my judgment, will not be available for reconstruction of farms and buildings, but it will go into those lucrative activities which are of interest to it, which will bring an immediate profit. In Croatia, it would go to rebuilding the most immediate coastal and island section, which is to some extent isolated. Perhaps partly also into transportation routes because of the interest of Central Europe, especially Germany and Austria, to have links with the Adriatic zone. And perhaps in that segment of industry which would be ancillary industry for the great powers.

The reconstruction of buildings and housing will have to be done, regardless of which republic is involved or Yugoslavia as a whole, with the well-known instruments of credit policy, tax policy, and a system of various benefits. To expect this to be created through income, believe me, is a very great illusion. Many able-bodied people will become disabled, there will be frustrated people, even mentally disturbed people following such a war, and they will be unfit for gainful employment. An immense segment of the young generation will be transferred to the stratum of dependents. Thus, in addition to the immense number of pensioners we already have, we will have still greater pressure. That is the reason for my argument that after the war we can expect a social revolution which, however cynical it may sound now, would perhaps be welcome to Yugoslavia so that the creative mind overcomes the mind that is bent on destruction.

[Reljic] How can such a turnabout take place at all?

[Komazec] There has to be a great national sobering up. There has to be an integration of everything that is creative. A welding together of intelligence.

I believe that there will be—I do not, of course, expect it soon—a great recovery of sanity. If nothing else, Europe could offer what has to do with civilization. If only Europe had acted a priori instead of acting post festum, as it is now. If there had been aid something like the Marshall Plan that Europe received after World War II, Yugoslavia probably would not have rushed into the trap of nationalism and everything that is opposed to civilization.

[Reljic] It will be difficult for a turnaround to occur before all the nationalistic passions have been spent?

[Komazec] I have often said that a policy of national sovereignty as the only option that is on the scene at present is a sovereignty of misery. And I would like to emphasize that. And economic development and political futurism, I think, have this to tell us: The more developed a society is, the less basis there is for nationalism.

[Reljic] Nevertheless, we have arrived at the point where national sovereignties, which lead to a sovereignty of

misery, are destroying a state which has lasted 70 years. What are the economic consequences?

[Komazec] This leads to the risk of exclusiveness of the various economies and of breaking up still further a Yugoslav market that was already broken up and which in truth never was a truly unified market. Second, the little miniestates with their minieconomies will be open to a very strong world market that with its so-called information revolution has led all the underdeveloped countries in the world into a neocolonial position and has made them completely dependent from the technological and financial standpoint. Those countries are working like slaves in the interest of capital. Our little state will very quickly be condemned to a colonial position.

[Reljic] Drastic exhaustion and backwardness?

[Komazec] That is what the colonialism of the 19th century did in the African and Latin American countries. Capital extracted immense profit from them and created an economic structure so that they always were and have remained dependent. Permanently condemned, that is, to backwardness. In our case, that development gap, that technological gap, which already amounts to 50-70 years between Yugoslavia and the advanced countries, will widen more and more.

[Reljic] The balance sheet of financial settlement among the republics is topical in our country right now?

[Komazec] That is a particular problem. Some of the budgets, the so-called soft war budgets, are being financed exclusively by issuing money. They cannot be the basis for a sound economy, a sound development policy, and in particular the balance sheets for financial settlement cannot be drawn up on that basis. Slovenia's attempt now to pay Serbia and Croatia its obligations with dinars that are nothing more than mere paper is nonsense.

And then what to do about that external debt of \$17 billion, of which the share of the Federation is about \$4.5 billion? The rest is in the republics. Who took it, from whom, who is to repay that debt, and what was it spent for? It is extremely difficult to work that out. A special international team of experts will have to be formed.

Nevertheless, the war budgets will be the biggest problem.

[Reljic] Many people expect that someone in the world is going to pay that for them?

[Komazec] No one is going to pay that for them!

[Reljic] A kilogram of wheat costs 3 dinars, but bread is being sold for 20. Where does that immense difference go?

The price of electricity is rising fearfully, so is the price of gasoline, rent, those most basic foodstuffs....

[Komazec] That is the so-called system for passing on the burden of the war. There are no overt patriotic loans to

support the war; that is, there is no deliberate sacrifice of the standard of living, but personal expenditure is transformed into so-called disguised loans. The burden is put on vital products. And we have been seeing that. But a distinction has to be made. When the burden is put on domestic products such as agricultural production, as you mention, then this is headed toward destroying that domestic production—a murderous price disparity is created. And that has been happening in Serbia. But Serbia ought to make a course change in order to promote agricultural production in its development plan. If imported elements are involved, as in the case of gasoline, petroleum, then the injection of these elements of nonproduction consumption constitutes inflation of prices of all other segments by dispersion.

[Reljic] What are the consequences of that partial transformation of the economy into a war economy?

[Komazec] The exit from a war economy to a civilian economy is painful. It requires a great deal of intelligence, plans, and programs. Look at the Soviet Union now. Look at the United States. It is extremely difficult to eliminate atomic weapons. And in these miniestates of ours.... Just look at Croatia. A large portion has made the transition to war production.

[Reljic] And the possibilities for formation of some Yugoslav economic community which Lord Carrington has been talking about?

[Komazec] I personally do not anticipate that our economic relations will develop in the future after the pattern of relations of the European Economic Community. Consider: The monetary system is disintegrating while Europe is creating a unified monetary system (ECU); the tax system is disintegrating while Europe is creating a unified system; the system of distribution is disintegrating while Europe is more and more unifying the system of distribution; macroeconomic policy is disintegrating....

[Reljic] How long can it go on that way?

[Komazec] That flow away from civilization, unfortunately, can persist a rather long time; in my opinion, up to the point when the environment exerts a far stronger influence. Do not forget that some 15 or 20 years ago we became Europe's appendix, even Europe's trash heap—for its ideas, its waste, its flows, and those worn-out technologies that have been written off. For 12 years, Yugoslavia has a whole has been working just to pay off part of the interest on old loans. Over that time, we have had a net outflow of \$443 billion in capital, and our debt has remained \$17 billion! You see what a subtle method that is. They are exploiting us with exchange rates, by an export of inflation, with interest rates.

[Reljic] If we assume that there will no longer be a Yugoslavia, how should a republic, say, Serbia, behave to get by with the least damage?

[Komazec] In the first phase of consolidation, when that state entity is formed, there needs to be reliance on one's own resources, along with activation of dead capital, without a sudden additional borrowing abroad, except for the industries with which inroads are being made on world markets that have been researched in advance. The loss of markets within Yugoslavia must be offset by new markets, and this would be in nearby countries (Greece) and those that are close in terms of political rating (Great Britain, France, Greece, Israel). Serbia has greater comparative advantages than the other republics: mineral wealth, streams, agriculture. And after the first phase, which could last perhaps two years, in a future arrangement either as a minifederation or as the state of Serbia, Serbia would have to accept the model of an open strategy of development.

[Reljic] You drew up that economic plan for SAO [Serbian Autonomous Oblast] Krajina. What will its future be?

[Komazec] Because of the Krajina's economic structure and linkage to the other parts of Yugoslavia, it will not be able to develop without linkage to economic regions which are probably remaining in Yugoslavia. I am referring here above all to the gravitating region of Bosanska Krajina and the region of Serbia. Those ties have already been deepened. Unfortunately, at present it is a question of survival.

[Reljic] How will that region equip itself for what you just spoke of, when we know that a majority of the creatively able Serbs are either in Zagreb, Split, or Belgrade?

[Komazec] I hope that there will be a rebirth. One that follows a pattern which we have conceived of training personnel here, not in the centers, but by forming higher educational institutions. And then informatics. We have already acquired computers.

[Box, p 19]

The Arrest

Professor Komazec has felt on his own skin the situation about which he speaks as a scientist:

"Somewhere around 21 September in the evening, about 2100 hours, the doorbell rang and there was a pounding on the door. When we did not want to open up, they began to pound with rifle butts. We opened up, and three armed members of the National Guard Corps [ZNG] rushed in. 'Do you have a warrant?' They said: 'We don't need one, we have credentials.' The credentials indeed did say that they could enter anyone's dwelling anytime they liked.

"They took me off to that new center of theirs. It is like a counterintelligence department. It is headed by Sveto Letica, the admiral, and located near Bacvice where the KOS [Counterintelligence Service] used to be. They brought in 200 Serbs that evening. They were mainly

rounding up intellectuals, retired military people, and I saw a number of wealthy Serbs. Incidentally, the HDZ [Croatian Democratic Community] really does have lists. The first list is the intellectuals, the second list the military personnel and wealthy Serbs, and the third list the ordinary population.

"They put me into a room that was one meter by a meter and a half. And they told me to write my biography and draw up a list of all the people I have known over the last 10 years. I sat down and wrote. Where I worked, everything I had published, the books.... They read it: 'See here, he writes a book and I do not have a job, I do not have a place to live.' One rushed into the room and kicked me in the head. He was the worst kind of scum. The charge was that shots had been fired from my apartment. I asked: 'At what time?' They said at such-and-such a time. 'But I was already here at that time.' He answered coolly: 'Fine, that is a mistake of the informer.'

"I even met Letica there. He came up to me, we have known each other since the LCY [League of Communists of Yugoslavia] Congress—the 14th Extraordinary Congress. He asked: 'Professor, what are you doing?' 'You see, I am writing my biography, I am writing down the people I know.' He did not react. I saw him again the next day. I asked: 'Why are they keeping me here?' We know each other well enough to use the familiar form of address. He said: 'Professor, I do not have time, I have a meeting.'

"A Skipetar kept a cocked rifle on me for two days. They obviously did not give the Skipetars automatic weapons. He joined the ZNG because he killed a Serb in Kosovo who had injured his child in a traffic accident. During those four days it is practically as though I survived a second life. It was so intense that I give it the weight of perhaps 10 years or so.

"Then they told us that they would let us go home. But, they said: 'Professor, you will not get out of here until you write for us the constitution of SAO Krajina, even if it takes you 10 years, because you are the one who conceived it.' I did not write it, and, as far as I know, there is no constitution, but a charter. And on that list of friends which I had to write down again, I put down everyone—from Separovic, the foreign minister, to Davorin Rudolf and my colleagues at the university, Bilic, Dujic, and all those professors with whom my relations had been proper. But that is now their top leadership.

"Then my brother was arrested.... Another interrogation. My brother separately, then me separately. They said: 'We need to say whether you drew up the economic program for the Krajina.' They said: 'Professor, wartime laws are in effect here.' And at that moment I thought: That means execution. Then they said: 'We have two solutions: one is to exchange you.' And I said: 'Wait, people, what am I going to do in Knin? I am coming back immediately to Split the very moment I get there, because I have examinations tomorrow.' And he

laughed: 'If we have to, we will pick you up again and exchange you.' Then he added: 'The other solution is to file charges against you.'

"My wife managed to get in contact with the dean of the School of Law, with the rector's office of Split University, with Franceski, a lawyer, an honorable man, and a great supporter of Yugoslavia. He had already drawn public attention to my case. And they

had to let me go. The chief of police called me in. He said: 'This has nothing to do with your release. But please make it possible for them to release those 20 or so men from the MUP [Ministry of Internal Affairs] in prison there, and, if you can, make it possible for our numerous men who have died and are lying there in the vicinity of Sinj to be given a decent and honorable burial. I leave it up to your conscience whether you want to make this public or not.'"

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